The ATP Group

# 2022 Responsibility

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**Transparency on ATP’s website:**
Sustainability-related information (the EU Disclosure Regulation)
Report on Stewardship
Tax report
ESG processes
List of excluded companies
List of holdings
Company dialogues
Voting record overview
Green bonds

# A year with many challenges

2022 has in many ways been a remarkable and challenging year where we have had to get used to war returning to Europe while inflation also turned out to be persistent and followed by large interest rate hikes.

Russia's attack on Ukraine is a tragedy with major human costs and it has also revealed a vulnerability in Europe. Supply security has moved higher up the agenda and has opened up for more green investments - it has also sent the consumption of coal sky high in Europe to ensure electricity and heating.

Inflation has not just made energy and everyday consumer products more expensive, it has also led to interest rate hikes that almost everyone in Denmark will be impacted by. The interest rate hikes have also impacted ATP, as the equity prices have fallen alongside bond valuations. It is therefore important to point out that our guarantees stand firm and our members will get the pensions they have been promised.

Even though the financial markets are in crisis, we are still firmly committed to working with ESG in our investments and inside our own operations. Here, ATP is still focused on delivering real sustainable development that benefits both our investments and society at large.

The area of ESG has developed significantly in the past few years, and it has become an integrated part of the financial industry. We are also seeing this with the major legislation being implemented for ESG issues in the EU in recent years. This legislation also impacts the development of the ESG area for ATP. This year we have developed and expanded upon our ESG principles so they are more contemporary and appear as a guideline for our work with ESG. We will be telling more about this one page 10.

One of our principles is to improve the availability of ESG data both in terms of scope and depth. Among other things, this is done via our questionnaire which is focused on getting unlisted companies to improve on their reporting. As requirements for investors and companies increase, it is important for ATP to keep an eye on why ESG data is important - it is important because it is to be used to allow companies and investors to make better decisions.

In 2021, ATP set a high ambition for ourselves with our climate investments. Now, the toasts are over and it is about the long and hard work ahead. The headwinds in the financial markets have already made it more difficult to meet our ambition of DKK 100bn, and many companies may choose to prioritise other things than $CO_2$ reporting now that there are prospects of economic bottlenecks in many companies.

Therefore, ATP has spent 2022 on working with our climate ambitions and to make it clear where we need to prioritise our efforts in 2023 to ensure that we make as much progress towards fulfilling our ambitions as possible.

**STATUTORY REPORTING**

The report is ATP's statutory report on responsibility and covers the period 1 January 2022 to 31 December 2022, cf. Section 22 of the Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP). The report also includes ATP's statutory report on the status of compliance with the target figures set for the underrepresented gender, cf. Section 23 of the Executive Order on Financial Reporting by the Danish Labour Market Supplementary Pension Fund (ATP). ATP's sustainability-related information can be viewed on atp.dk.

# Highligths in 2022

In 2022, ATP has made additional **green investments**, now totalling

**DKK 65.6bn.**

For the first time, ATP is also reporting on the 'principle adverse impacts' (PAI) pursuant to the EU's Disclosure Regulation.

**Progress in how portfolio companies report on $CO_2$** but challenges remain in parts of the portfolio

ATP has bought

**15 per cent**

of **Better Energy, a company producing solar cells,** for a triple-digit DKK amount.

In 2022, we have updated our **ESG principles** so that we now have

**6 ESG principles.**

In 2022, Akademikerpension, PenSam and Danske Bank Asset Management joined **ATP's work** with ESG data for unlisted investments.

# Our members must have the best possible pensions

Since it was established in 1964, ATP has been part of the people of Denmark's basic financial security in their retirement together with the state pension. This role has a major impact on how we design ATP Livslang Pension (Lifelong Pension) and manage our investments. ATP's role was most recently highlighted in connection with the Danish Parliament's processing of the ATP Act in May 2021. In this context, a broad majority of the Danish Parliament agreed to cement ATP's position in the Danish pension system as part of the basic security of the so-called 1st pillar together with the state pension. The change gave ATP the opportunity to optimise our business model for the benefit of our 5.5 million members.

The business model is therefore designed for the purpose of providing basic financial security via lifelong guaranteed pensions that aim to preserve their real value over time. This separates the business model from those of other pension suppliers, which are typically aimed at replacing a work income during retirement.

All of ATP's assets belong to our members, and therefore we have no equity of our own. ATP's assets can thus fundamentally be divided into funds to cover the lifelong guaranteed pensions and undistributed funds that have not yet been divided among the members.

The mandatory payment is divided into a guarantee contribution and a bonus contribution where the guarantee contribution is 80 per cent of the contribution and the bonus contribution is 20 per cent. The guarantee contribution is used to ensure that the individual members have a lifelong and guaranteed pension from the time they reach the retirement age and the bonus contribution, which is undistributed, is to contribute to ensuring the real value of the lifelong pensions over time and to cover unforeseen events that might impact ATP such as, for example, longer life expectancies among members. The funds that are allocated to the guarantee contribution and the bonus contribution are thus invested taking into account their respective roles. The guarantee contribution is invested with a low risk profile in bonds and interest swaps so that ATP can be sure that it is able to pay the guaranteed lifelong pensions to members from the time they reach the state retirement age. The undistributed funds are invested with higher risk profiles so that the returns can over time ensure that the real value of the pensions are preserved. All in all, this means that ATP is taking a balanced amount of risk in relation to our objective.

For ATP's Supervisory Board and management, the top priority is to continually ensure that the business model is contemporary in terms of the objective of ensuring that our members get the best possible lifelong pensions. Therefore, in recent years ATP has worked on optimising the pension product and business model. This has been done while taking into account that ATP must continue to have a very strong ability to honour the guaranteed pensions. But for ATP - and not least ATP's members - it is also important to ensure the real value (adjusted for inflation) of the pensions over time. Therefore, the business model has been optimised in two areas: life annuity with market exposure and a change to the hedging strategy.

### The first optimisation:
**Life annuity with market exposure**

The overall principles of ATP's business model have been preserved so that the guarantee contribution (80 per cent of the members' ATP contributions) is still set aside for the accrual of pensions and is still guaranteed in terms of life expectancy. From and including 2022, the guarantee contribution of 80 per cent is divided into two parts for the members who have more than 15 years to go until they reach the retirement age and thus achieve what is expected to be a higher guaranteed pension over time.

- 60 per cent is invested with a low risk profile = the interest contribution
- 20 per cent is invested with a higher risk profile = the market contribution

We call the pension that is accrued from the market contribution 'life annuity with market exposure'. It is based on the returns that are generated from investing with a higher risk profile. By investing the market contribution with a higher risk profile, it is expected that higher returns will be generated over time and thus result in higher pensions. When we invest with a higher risk profile, there is also the risk of us sometimes losing on our investments, and the accrued pensions from these contributions fluctuate up and down depending on the generated returns.

A loss does not necessary have a major impact if ATP can succeed in recovering the losses before a member starts his or her retirement. This is precisely why life annuity with market exposure is only for the members who have more than 15 years to go until retirement. In order to avoid a serious reduction of a pension shortly before retiring, the pension that has been accrued via market contributions is gradually invested with a low risk profile as from the time when there is 15 years to go until retirement. Thus both pensions that are accrued via interest contributions and market contributions will be guaranteed and cannot be lowered from the state retirement age but will still be able to be increased via bonuses.

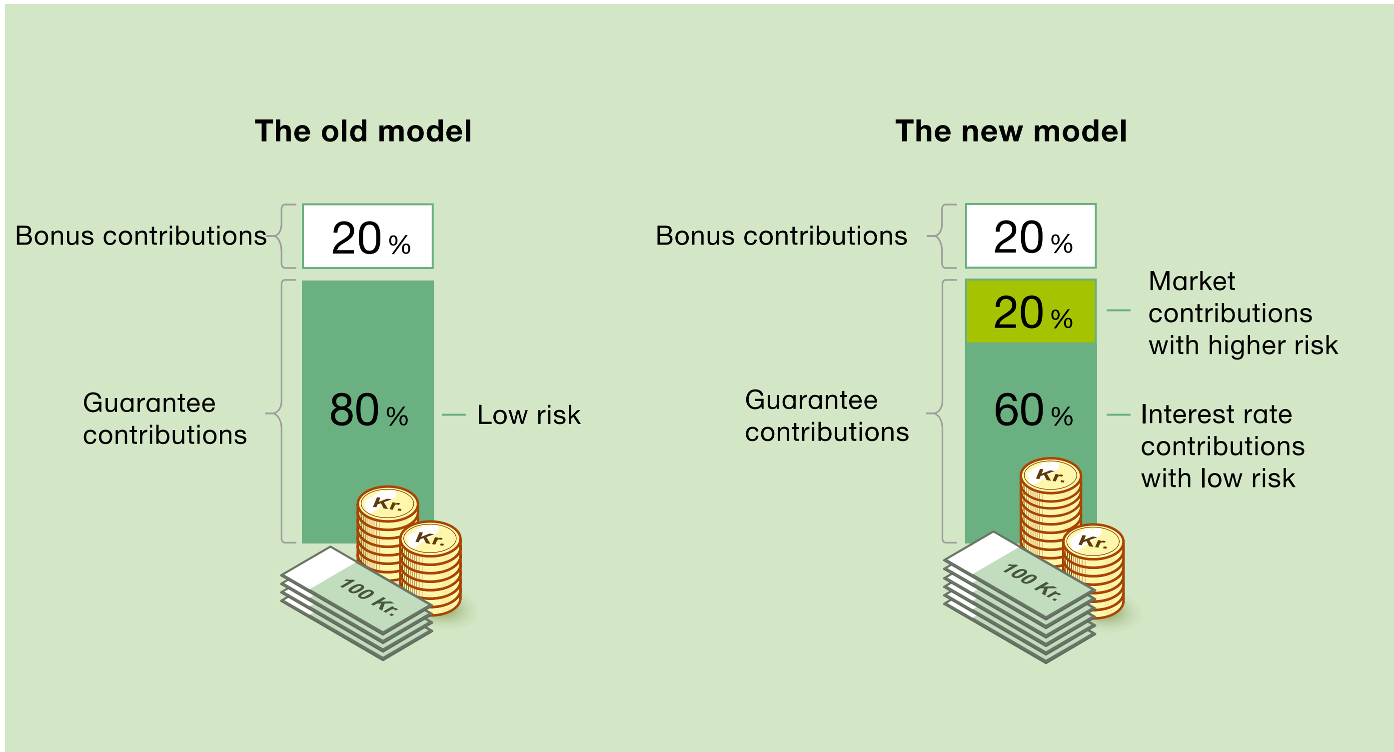
### The second optimisation:
**Changed hedging strategy**

With the adjustment of the Danish ATP Act from 2021, it became possible for ATP to change its hedging strategy for the purpose of increasing the total investment returns while at the same time continuing to guarantee the lifelong pensions with a very high degree of certainty. The changed hedging strategy is based on the special ATP characteristic of members being unable to withdraw their funds from ATP but instead they receive them as a lifelong benefit which is guaranteed from the time a member reaches the state retirement age. Therefore, ATP can act as a true long-term investor.

The changed hedging strategy is therefore intended to allow ATP as a pension fund to get the best of two worlds - provide higher returns and also preserve the underlying guarantees.

The change increases ATP's overall investment risk as the change to the hedging strategy involves that in addition to the existing interest hedging on the guaranteed pensions there is also added a number of assets with higher risk profiles and higher expected returns from the hedging. This increases the total expected returns from the hedging portfolio so that the expected extra returns can over time contribute to an increase of the bonus potential and thus the bonus allocations. After the adjustment, the overall risk profile of ATP Livslang Pension (Lifelong Pension) will still be less than the typical market product, which is a natural result of ATP providing a lifelong guaranteed pension.

In 2022, ATP has prepared the business for implementing a changed hedging strategy during 2023.



# Governance and ESG processes

To ensure management ownership of responsibility in ATP's investment decisions, ATP's Supervisory Board has decided that the responsibility efforts are to be coordinated by a Committee for Responsibility.

The Committee is chaired by the CEO and other members are the CIO (Chief Investment Officer) and the CRO (Chief Risk Officer) as well as relevant managers within and outside the investment organisation. The Committee Secretariat is served by Team ESG, which is part of the Investment department. The Executive Board provides ongoing reporting on the responsibility work to the Supervisory Board.

## ATP'S RESPONSIBILITY POLICIES

**Policy of responsibility in investments**
ATP's Policy of Responsibility in Investments constitutes the overall framework for the work on responsibility across asset classes and investment methods.

The aim of the policy is to ensure that ATP also includes considerations for the environment, climate, human rights, labour rights, anti-corruption and management issues in its risk management and investment processes in line with other business conditions and risks.

In ATP's Policy of Responsibility in Investments, the Supervisory Board sets out a number of basic principles and minimum criteria for the portfolio companies' conduct. Among other things, the policy states that ATP does not invest in companies that deliberately and repeatedly violate the rules and regulations of the countries in which they operate. The policy also states that the portfolio companies must act in accordance with the standards that follow from the international conventions adopted by Denmark.

**Policy for stewardship**
ATP's Policy of Stewardship describes the principles and processes that guide ATP's stewardship work. As a responsible long-term investor, ATP has an interest in investors as owners of listed companies being able to understand and control the companies' overall actions, thereby promoting the companies' long-term value creation.

**Tax policy for investments in the ATP Group**
ATP's tax policy for investments describes ATP's approach towards tax on investments. Our tax policy is aimed at making our investments more robust against tax-related risks and to ensure that we take a co-responsibility for strengthening the governance in this area. We have high standards for ensuring that ATP pays the correct amount of tax, which means neither too much, nor too little.

**IDENTIFICATION OF RISKS AND DESIRED RISK PROFILE - EXCERPT FROM THE POLICY OF RESPONSIBILITY.**

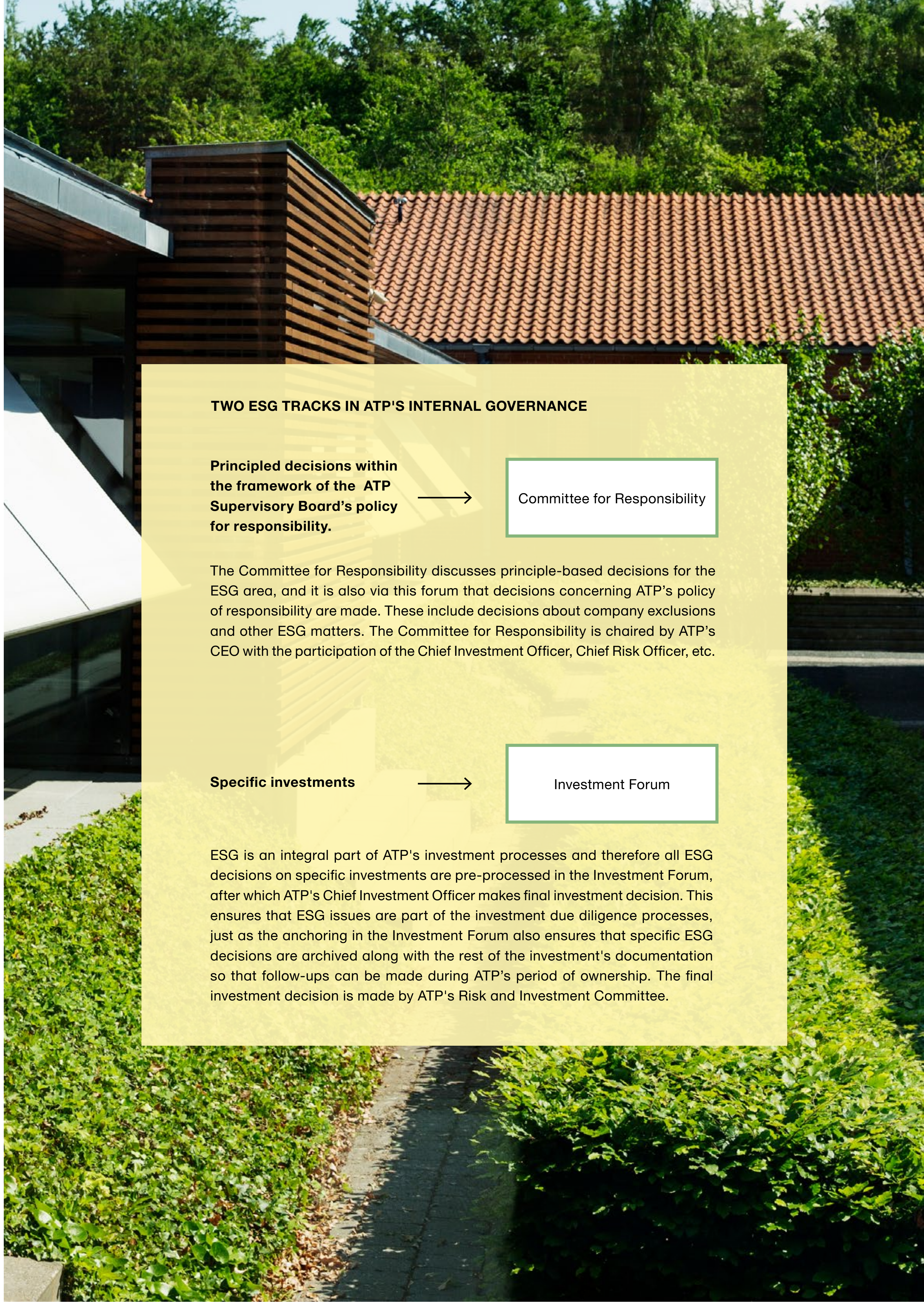
ATP views sustainability-risks similarly to other investment-related risks, including market risks.

We view sustainability risks the same as we view intangible assets such as goodwill, brands and intellectual property rights where the valuation is subjective.

ATP's work with sustainability risks indicates that the measurement methods, data, etc. used to assess the impact on the value of investments are not as developed as they are for traditional risk factors. Therefore, there can neither be identified or made a nuanced and specific assessment of how various sustainability risks materialise across investment types in the same way as can be done for traditional financial risks. For this reason, at present sustainability risks cannot be primary guidelines in the work with investments and risk management.

Therefore, the work involves a more general and holistic approach to the assessment of sustainability risks. As is the case with other investment risks, ATP strives to identify ESG related risk sources and assess to which degree ATP is compensated.

ATP is continually working on improving its opportunities for integrating sustainability risks by developing and testing new methods such as, for example, when working with climate data which ATP assesses is the area that has seen the most progress.



**TWO ESG TRACKS IN ATP'S INTERNAL GOVERNANCE**

**Principled decisions within the framework of the ATP Supervisory Board's policy for responsibility.** → Committee for Responsibility

The Committee for Responsibility discusses principle-based decisions for the ESG area, and it is also via this forum that decisions concerning ATP's policy of responsibility are made. These include decisions about company exclusions and other ESG matters. The Committee for Responsibility is chaired by ATP's CEO with the participation of the Chief Investment Officer, Chief Risk Officer, etc.

**Specific investments** → Investment Forum

ESG is an integral part of ATP's investment processes and therefore all ESG decisions on specific investments are pre-processed in the Investment Forum, after which ATP's Chief Investment Officer makes final investment decision. This ensures that ESG issues are part of the investment due diligence processes, just as the anchoring in the Investment Forum also ensures that specific ESG decisions are archived along with the rest of the investment's documentation so that follow-ups can be made during ATP's period of ownership. The final investment decision is made by ATP's Risk and Investment Committee.

# New ESG principles chart the course

ATP has an investment belief that the integration of ESG into our investment work can reduce risks and contribute to long-term value creation. Therefore, we continually seek to:

| Principle | | |
|---|---|---|
| 1 | Build strong processes for both ESG due diligence and ESG asset management across asset classes tailored to the specific investment processes. | Over the past five years, ATP has systematised and strengthened our ESG processes. We continue to improve on this work so in the future ESG will still be an integrated part of the investment processes. |
| 2 | Improve our ESG data foundation with a focus on improving the companies' own reporting of data. | In recent years, ESG data has been a top priority for the financial sector, among other things, due to EU regulations. ATP wants to support the development of better ESG data, but if it is to make sense, this must be data the companies themselves report and work with and not merely estimates that do not really reflect reality. This also increases the companies' focus on working with implementing direct improvements to their business activities and value chain. |
| 3 | Develop ATP's general landmarks and specific expectations for companies' ESG practices. | Topics such as responsibility and sustainability are being constantly developed through societal attitudes and legislation. At ATP, we are moving at the cutting edge of developments and adjusting our practices so that we can both be a good sparring partner for companies while also being clear about our attitudes. |
| 4 | Map ATP's investment portfolio's ESG characteristics with a view towards prioritising our ESG-efforts. | Companies each face their own challenges, and the impact of ESG matters may depend on where in the value chain a company operates. Therefore, we need to be able to analyse our portfolios with a view towards understanding where the challenges are so that we can use our resources optimally. |
| 5 | Contribute to real improvements in individual compa¬nies for the benefit of ATP's investments and society at large based on a preference for active capital stewardship. | ESG is about driving real changes in companies we invest in. Therefore, ATP is focused on individual companies rather than looking at overall figures and metrics that may obscure where the real effect of the initiative lies. |
| 6 | Distinguish financial materiality and societal materiality from each other and continually attempt to understand the interaction between financial materiality and societal materiality. | When working with ESG in investments, there are two ways to approach it. If you are looking to limit risks from ESG factors this is called financial materiality or sustainability risks in the EU's Disclosure Regulation. However, if you are trying to limit a company's impact on the planet from, for example, $CO_2$ emissions, this is called societal materiality or negative sustainability impacts. This duality is a core part of the work with ESG, and we also see this reflected in legislation from the EU where parts of, for example, the Disclosure Regulation are clearly aimed at the societal materiality. |

# A difficult year also poses challenges for the green ambitions

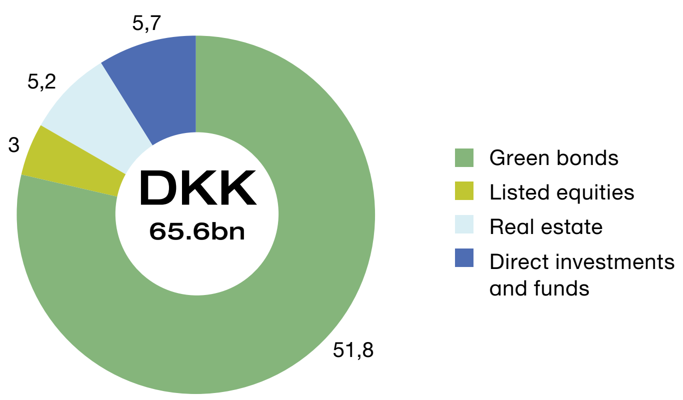
In 2021, ATP published a number of ambitions for our future climate efforts. We will increasingly invest in green assets and impose requirements for our portfolio companies' work with the green transition.

In 2025, the ambition is for ATP to have DKK 100bn in green investments and by 2030 this figure is to grow to DKK 200bn. By the end of 2022, the figure was DKK 65.6bn.

2022 has been one of the most challenging investment years in a long time, and this has of course also impacted the green investments. During the year, ATP has made green investments totalling DKK 27bn, mainly in green bonds, while in the same period ATP has divested itself of DKK 12bn in green investments.

With the rising interest rates, the value of ATP's bond holdings have decreased and this has also had an impact on the green investments just as equities and other asset classes have been impacted. Therefore, the net addition of green assets has not resulted in an equivalent increase in the total holdings of green assets.

**Distribution of ATP's green investments in 2022, DKK billion**




**HOW ATP MEASURES ITS GREEN INVESTMENTS**

The EU's work on creating a green taxonomy is still ongoing, but ATP has still chosen to use the preliminary taxonomy as inspiration in order to ensure that our green investments can be measured in a way that adds as much credibility to our ambitions as possible.

**Green bonds** Measured as the green bonds that comply with ICMA's Green Bond Principles and ATP's own principles (which are more restrictive).

**Real estate:** Measured as the real estate that is certified based on the internationally recognised standards: DNGB, LEED and BREEAM.

**Listed equities:** Measured based on preliminary estimates on taxonomy alignment from a recognised data supplier (MSCI).

**Direct investments and funds:** ATP's Chief Investment Officer designates green assets that would presumably be covered by the EU's taxonomy for sustainable investments. ATP only includes these investments if their likely degree of compatibility with the EU's taxonomy for sustainable acti-vities is verified by an external consultant.

The ambitions are subject to a number of preconditions, including political and economic developments, and these are available on ATP's website. ATP publishes a combined figure for the green investments and separate figures for the individual categories. Due to market considerations, we do not publish details about companies.

The work on fulfilling the climate ambitions takes place within the framework of the prudent person principle and the requirement that ATP must invest its assets in a way that best serves the interests of its members.

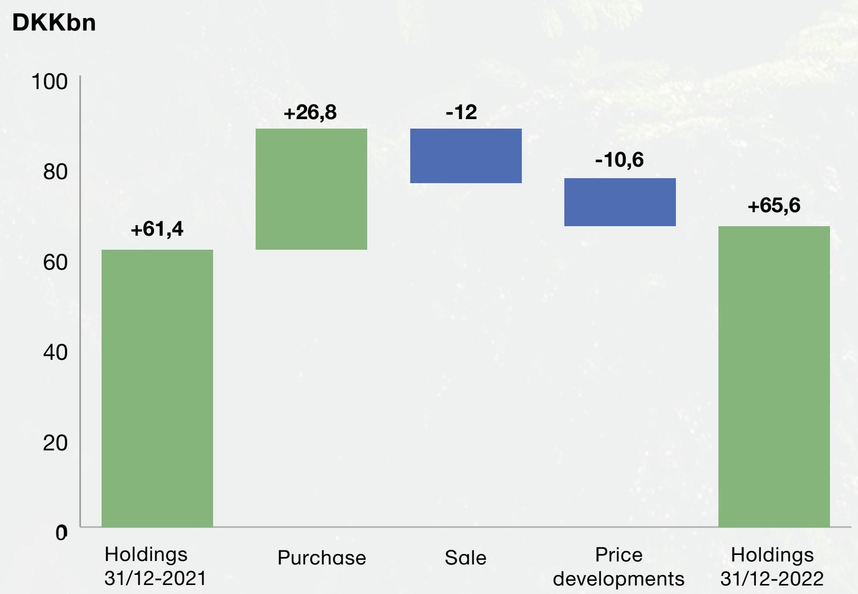
## Status of ATP's climate ambitions

At the end of the year, the value of green bonds was DKK 51.8bn compared to DKK 44.2bn at the start of the year. ATP has bought new bonds totalling approximately DKK 20bn, but due to negative price developments for all of ATP's bond portfolio, the value of the portfolio has only increased by approximately DKK 7bn.

There are also significant price declines for the listed equities, and ATP has reduced its risk exposure meaning that ATP's total holdings of equities is now less than they were in 2021 -and thus the proportion of green investments in the equity portfolio is also smaller.

In the spring of 2022, ATP sold off a large foreign property for DKK 4bn which was sustainability-certified and thus counted in the measurement of ATP's green investments. This reflects one of the dilemmas, namely that even if moves us further away from fulfilling our ambition, we still need to consider financial returns, also for green assets. On the positive side, one of ATP's properties achieved a certification in 2022 and is now counted among ATP's green investments.

For the direct investments and funds, there is an increase which can be attributed to additional investments being made.



# Better data on $CO_2$ for the benefit of companies and investors

One of ATP's climate ambitions is for our portfolio companies to report on their $CO_2$ emissions in 2025. They must report on both the emissions they are directly responsible for (scope 1 and 2) and the emissions from their value chain (scope 3). Without emissions data, ATP and the companies are working with blindfolds on and therefore $CO_2$ data is an important step in the work on reducing emissions and climate risks.

The goal is for companies to work on improving their reporting based on their current status, but there is also an expectation that everyone keeps improving. This year there has generally been a positive development where we have seen companies that were not previously reporting now begin to report on their $CO_2$ emissions. More companies have also improved on their reporting so that it is now more complete.

ATP has made a model where we categorise companies based on their current levels. Every scope gets between 0-3 points, and the points are then added together to find the overall level of reporting. Nine points can be achieved if a company reports sufficiently on scope 1, 2 and 3 emissions. This allows us to monitor the developments in individual companies and we can also see the averages for different parts of the portfolio.

### DEVELOPMENTS IN 2022

**Danish and Nordic equities**

- 53 per cent of companies were making progress
- High level of reporting among the companies who report
- There are still some companies that are not reporting

**Global equities**

- 42 per cent of companies in the global equity portfolio were making progress
- The point score increased from 4.7 to 5.4 (when comparing companies in the 2022 portfolio from year-on-year)
- 8 per cent of companies were not reporting (compared to 24 per cent in 2021)

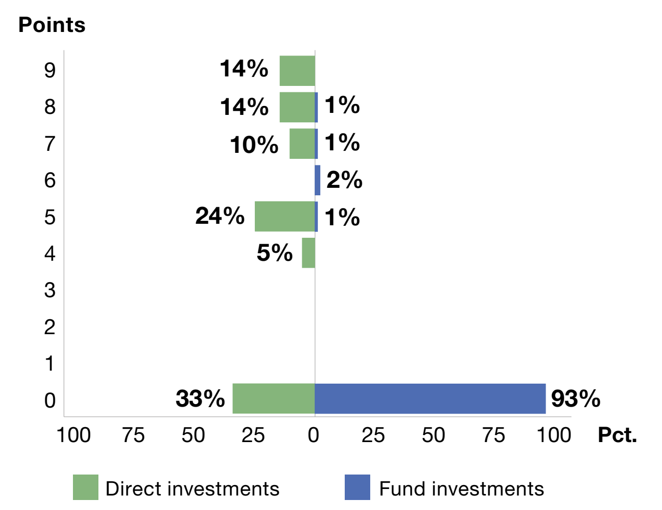
**Direct investments**

- For direct investments, 67 per cent are now reporting.
- The level of reporting differs greatly and only a few companies show progress

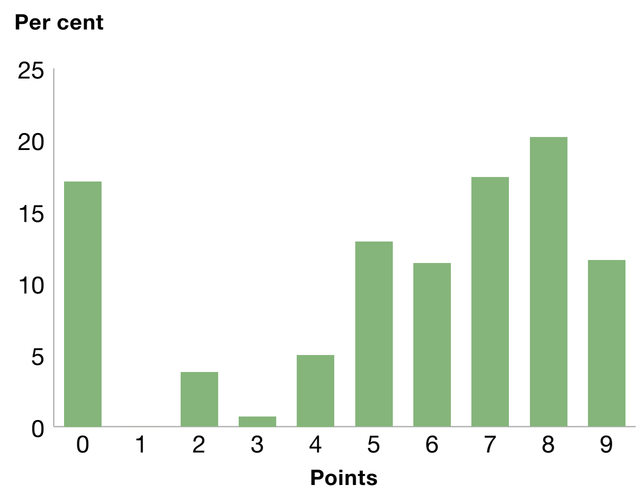
**Funds**

- Generally a very low level of reporting
- Funds with a strong ESG focus are among the best at driving reporting in portfolio companies

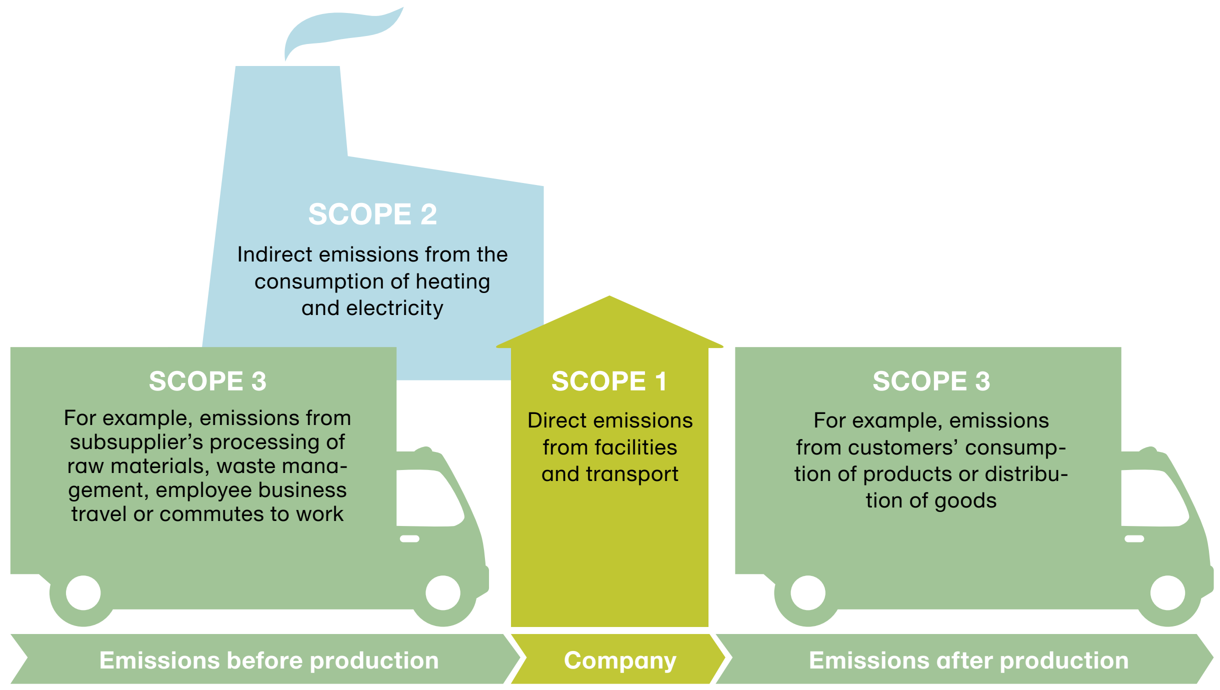
**Distribution of unlisted companies by points**




**Distribution of listed companies based on points**






### COMPANIES MUST REPORT IN A TRANSPARENT AND EASY TO UNDERSTAND MANNER

It is important that companies focus on all three types of emissions. The emissions should be measured based on the principles of the GHG Protocol, which contains 15 different categories for measuring scope 3 emissions. Scope 3 emissions are an important factor when it comes to understand a company's emissions, as there can be differences in the companies' value chains.

A company that, for example, ships its products itself will have higher scope 1 emissions than a company that uses external suppliers for their shipping needs which would be categorised as scope 3 emissions.
However, not all scope 3 emissions are relevant to report on. In such cases, we expect companies to explain why the category is not relevant.

ATP would like to see companies reporting on their scope 2 emissions as both location-based and market-based and the total energy and electricity consumption. This allows us to see whether companies are reducing their energy consumption from operations or whether it is achieved via market mechanisms.

## Challenges for $CO_2$ data

There are a number of challenges related to the ambition of having comprehensive $CO_2$ reporting. In some countries, climate issues are not high on the agenda and therefore ATP is standing somewhat alone with its expectations - and therefore it can be harder to reach the goal of getting all portfolio companies to report comprehensively. There are also contractual matters concerning ATP's prior capital fund investments from the period before the ambition was notified of that means that ATP cannot require the funds' portfolio companies to report on $CO_2$. This means that ATP cannot impose requirements on the funds, it can only encourage them to report. Therefore, ATP's ambition does also not apply to funds where the agreements were signed before the ambition was notified of.

There are multiple reasons for why it is important for companies to measure and be transparent about their $CO_2$ ambitions.

1. If the company does not know what its own emissions are, the company cannot work on reducing its emissions and specifying objectives for its business operations.
2. As an investor, we are working in the dark if we do not know what a company's emissions are when we, for example, assess climate risks. It is also hard for investors to work on reducing $CO_2$ emissions in the portfolio if there is no real data from the portfolio companies.
3. There are growing regulatory requirements for ESG data, particularly concerning $CO_2$ emissions. In the EU's new sustainability reporting directive, reporting on all three scopes is a requirements and it is expected that we will see other countries and regions follow suit. It is therefore sensible to prepare for the coming regulations.

# ATP's carbon footprint from listed assets

For a number of years, ATP has been reporting on its investments. We have done this because we want to be open and transparent about the impacts of our investments and because the carbon footprints from our investments is ATP's largest source of scope 3 emissions. In the future, we will also need to report on our investments' $CO_2$ emissions as part of our PAI reporting work.

We would like to send a clear signal to our portfolio companies that we expect them to reduce their $CO_2$ emissions. In 2021, in connection with our climate ambitions, ATP stated that we will be reducing the emissions from our investments in equities, corporate bonds and real estate. After all, will need the help of companies to fulfil our ambitions. We want to contribute to real emission reductions in the Danish and global economy rather than implement portfolio changes that lead to a smaller carbon footprint in our portfolio but which do not reflect real reductions in overall global emissions.

ATP's reporting and ambition only covers companies' scope 1 and 2 emissions. We have chosen this limitation as the data basis for companies' scope 3 emissions are currently not sufficient to make meaningful portfolio measurements or to specify ambitions. Part of the new PAI indicators are companies' scope 3 emissions that ATP reports on in our PAI declaration. Even though a number of large companies in particular have made a lot of progress on scope 3 reporting, the data basis is lacking and therefore ATP's ambition is to improve the companies' scope 3 reporting.

There are different ways of measuring investors' carbon footprints, and the Taskforce of Climate-Related Disclosures (TCFD) recommends four. Even though ATP is reporting on all four metrics, ATP is hesitant to draw conclusions based on portfolio approaches, as all metrics have their own advantages and disadvantages. ATP has chosen the carbon intensity metric as the basis for our climate ambitions - carbon intensity normalises $CO_2$ emissions based on the turnover of portfolio companies and thus provides information on the companies' $CO_2$ efficiency. However, there are also a number of limitations that mean that one should be careful about drawing firm conclusion based on this metric.

A portfolio's carbon footprint is very much a reflection of which sectors the portfolio is exposed to. Utility and energy companies have far higher emissions than, for example, finance and IT companies, and you can therefore achieve great decreases in the portfolio's emissions by re-allocating to these sectors.

For carbon intensity, which is ATP's preferred method, it is also the case that the development over time is impacted by the inflation rates in the countries where the portfolio companies generate their income. Steep price increases mean that the companies' turnover will increase in nominal terms, which will, all other things being equal, also increase the carbon intensity.

### DEVELOPMENTS IN ATP'S PORTFOLIO SINCE 2022

The intensity from the Nordic equities has decreased, mainly due to ATP having reduced its position in Mærsk, which is one of the heaviest companies in terms of $CO_2$ emissions. The reduced position is not due to climate considerations.

In the global equities portfolio the intensity has increased, mainly due to the selection of companies in the energy sector which have a higher carbon footprint.

Since the climate ambition was published, our corporate bond portfolio has been remade to only consist of green bonds that are, among other things, issued by utility companies with heavy carbon footprints. So even if the bonds finance green projects, they come with a high carbon intensity as this metric is based on the parent company's $CO_2$ figures and not the financed projects.

### CARBON FOOTPRINT FROM REAL ESTATE PORTFOLIO

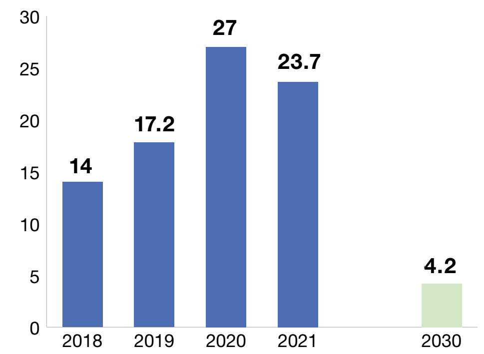
In 2023, ATP Ejendomme will for the first time publish a $CO_2$ statement that will be presented in ATP Ejendomme's annual report.



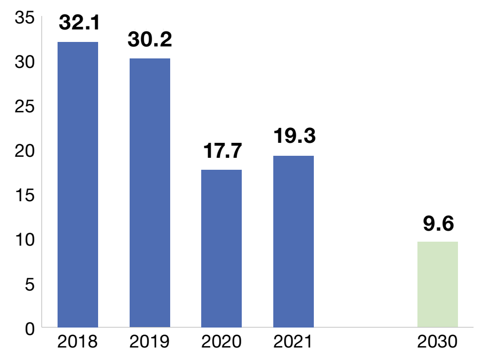
| | Total Carbon Emission | | Carbon Footprint | | Carbon Intensity | | WACI | |
|---|---|---|---|---|---|---|---|---|
| 2022 | tonnes $CO_2$e | Developments from 2021 | tonnes $CO_2$e/DKKm | Developments from 2021 | tonnes $CO_2$e/DKKm | Developments from 2021 | tonnes $CO_2$e/DKKm | Developments from 2021 |
| **Nordic equities** | | | | | | | | |
| Total, MB | 113,567 | -75.99 per cent | 4.74 | -53.93 per cent | 13.32 | -60.04 per cent | 8.67 | -60.07 per cent |
| Total, LB | 117,650 | -75.13 per cent | 4.91 | -52.27 per cent | 13.80 | -58.60 per cent | 9.19 | -57.67 per cent |
| Scope 1 | 107,551 | -76.07 per cent | 4.49 | -54.10 per cent | 12.62 | -60.18 per cent | 7.89 | -61.06 per cent |
| Scope 2, MB | 6,016 | -74.55 per cent | 0.25 | -50.76 per cent | 0.71 | -57.74 per cent | 0.78 | -46.14 per cent |
| Scope 2, LB | 10,099 | -57.27 per cent | 0.42 | -17.34 per cent | 1.18 | -29.06 per cent | 1.30 | -10.20 per cent |
| **International equities** | | | | | | | | |
| Total, MB | 283,893 | -40.95 per cent | 10.87 | 41.96 per cent | 18.36 | 34.10 per cent | 23.43 | 68.10 per cent |
| Total, LB | 286,077 | -40.50 per cent | 10.96 | 43.05 per cent | 18.50 | 35.13 per cent | 23.76 | 70.45 per cent |
| Scope 1 | 237,271 | -35.36 per cent | 9.09 | 55.36 per cent | 15.34 | 46.83 per cent | 19.76 | 90.96 per cent |
| Scope 2, MB | 46,622 | -58.99 per cent | 1.79 | -1.34 per cent | 3.01 | -6.95 per cent | 3.67 | 2.19 per cent |
| Scope 2, LB | 48,806 | -57.07 per cent | 1.87 | 3.28 per cent | 3.16 | -2.59 per cent | 4.00 | 11.31 per cent |
| **Equities overall** | | | | | | | | |
| Total, MB | 397,460 | -58.33 per cent | 7.94 | -9.48 per cent | 16.57 | -14.33 per cent | 16.37 | -4.99 per cent |
| Total, LB | 403,727 | -57.67 per cent | 8.06 | -8.05 per cent | 16.83 | -12.98 per cent | 16.79 | -2.55 per cent |
| Scope 1 | 344,822 | -57.77 per cent | 6.89 | -8.29 per cent | 14.37 | -13.20 per cent | 14.08 | -3.14 per cent |
| Scope 2, MB | 52,638 | -61.67 per cent | 1.05 | -16.56 per cent | 2.19 | -21.07 per cent | 2.29 | -14.67 per cent |
| Scope 2, LB | 58,905 | -57.11 per cent | 1.18 | -6.62 per cent | 2.46 | -11.67 per cent | 2.71 | -1.00 per cent |
| **Corporate bonds** | | | | | | | | |
| Total, MB | 78,303 | 0.50 per cent | 15.71 | -11.83 per cent | 28.38 | 19.49 per cent | 32.67 | -11.64 per cent |
| Total, LB | 76,680 | -1.58 per cent | 15.39 | -13.66 per cent | 27.79 | 17.02 per cent | 32.76 | -11.39 per cent |
| Scope 1 | 65,249 | -2.77 per cent | 13.09 | -14.71 per cent | 23.65 | 15.64 per cent | 22.53 | -19.58 per cent |
| Scope 2, MB | 13,053 | -20.84 per cent | 2.62 | 6.04 per cent | 4.73 | 43.80 per cent | 10.13 | 13.20 per cent |
| Scope 2, LB | 11,431 | 5.82 per cent | 2.29 | -7.14 per cent | 4.14 | 25.92 per cent | 10.22 | 14.23 per cent |

**LB: Location based MB: Market based See the accounting policies for a more detailed explanation of the metrics.**

**ATP's 2030 ambition for corporate bonds**




**ATP's 2030 ambition for equities**



# PAI - New reporting requirements about negative sustainability impacts

With the Disclosure Regulation, the EU set a new standard for how European financial actors must report on their initiatives related to sustainability. One of the new factors in the legislation is that investors will annually describe the principal adverse impacts of their investments by reporting on 18 mandatory and at least two voluntary indicators relate to the climate/ environment, human rights, labour rights and anti-corruption - the so-called PAI (Principal Adverse Impacts) indicators. As one of the indicators deals with investments in fossil fuels, ATP has chosen to let the prior mapping be omitted in order to not report on different figures due to different limitations.

The PAI indicators focus on societal materiality, which means that they are about how the companies that ATP and other financial actors invest in may have a negative impact on the world around them. This has nothing to do with the financial returns themselves, it is rather about how the activities of companies impact the world around them.

One of the Disclosure Regulation's requirements is that investors must not only describe the principal adverse impacts of their investments by reporting on these PAI indicators, they must also report on the initiatives they are launching to minimise them. This requires that we as an investor make a serious effort to understand the individual indicators extensively and to investigate what is driving our portfolio's impacts and where and how we as an investor can best launch initiatives. Therefore, we have chosen to supplement our PAI reporting with a separate PAI report to give a more in-depth insight into our work with adverse impacts.

The PAI indicators are very much a new way of thinking in terms of the use of ESG data and is one of several steps that the EU has taken to ensure better sustainability data. At length, the idea is that the EU's new Corporate Sustainability Reporting Directive (CSRD) is to increase the availability of ESG data, including the PAI indicators.

But at present, where the financial sector needs to report for the first time, there is no requirement for companies to report on the equivalent data This will be improved over time, even if it will only be companies subject to the CSRD who will be reporting on that data. Therefore, investors and other financial actors have had to prepare their reporting on the basis of incomplete data.

The limited data availability also means that our primary initiatives as an investor in the years ahead will be related to improving companies' reporting on the PAI indicators. Therefore, our adverse impacts will also increase in the first years of reporting on PAI factors as we get more data and thus more knowledge about the adverse impacts of our companies.

One should be careful not to jump to conclusions on the basis of overall portfolio data. For example, this is evident in data for scope 1 and 2 $CO_2$ emissions that are the indicators with the best data coverage. If one looks at a portfolio's carbon footprint, there is a clear correlation between which sectors one is invested in and how high one's carbon footprint is.

**DANISH COMPANIES ARE WELL UNDERWAY WITH PAI REPORTING**

ATP's inquiries to Danish C25 companies showed that it was primarily three indicators that they expected they would not be ready to report on: biodiversity, emissions to water and the salary gap between men and women. Approximately the same situation seems to be happening in terms of which indicators are most challenging for companies to work with, even if the indicator about scope 3 emissions is in the top three here. However, almost all companies expect to be ready to report on their scope 3 emissions, which presumably has something to do with the fact that this is something that investors have been asking for for a long time - unlike many of the other indicators, which are new to the world of investment.



| No. | Indicator for negative impact on sustainability | Unit | Listed assets | Unlisted assets | Total for ATP |
|---|---|---|---|---|---|
| 1 | Greenhouse gas emissions | | | | |
| | Scope 1 | Tonnes | 468,895 | 160,773 | 629,668 |
| | Scope 2 | Tonnes | 79,081 | 23,721 | 102,803 |
| | Scope 3 | Tonnes | 7,528,294 | 244,455 | 7,772,749 |
| | Total | Tonnes | 8,076,269 | 428,950 | 8,505,219 |
| 2 | Carbon footprint | Tonnes/EUR million | 1,322.0 | 88.2 | 816.5 |
| 3 | Investment-receiving companies' greenhouse gas emission intensity (WACI) | Tonnes/EUR million | 1,622.4 | 686.9 | 1,237.3 |
| 4 | Proportion of investments in companies that are active in the fossil fuel sector | Per cent | 12.0 per cent | 17.4 per cent | 14.5 per cent |
| 5 | The proportion of investment-receiving companies' consumption of non-renewable energy and production of non-renewable energy from non-renewable sources in relation to renewable energy sources expressed as percentages of the total energy sources | Per cent | 71.3 per cent | 72.8 per cent | 71.9 per cent |
| 6 | Energy consumption in GWh per EUR million in revenue for investment-receiving companies per sector with a major climate impact | | | | |
| A - | Agriculture, forestry and fishing | GWh/EUR million | 0.47 | 0.05 | 0.14 |
| B - | Raw materials extraction | GWh/EUR million | 4.18 | 0.01 | 0.83 |
| C - | Industry | GWh/EUR million | 0.41 | 1.00 | 0.56 |
| D - | Electricity, gas and heating consumption | GWh/EUR million | 2.56 | 0.14 | 1.65 |
| E - | Water supply | GWh/EUR million | 0.76 | 9.74 | 7.16 |
| F - | Construction | GWh/EUR million | 0.21 | 2.25 | 1.02 |
| G - | Trade and auto repair | GWh/EUR million | 0.13 | 0.08 | 0.10 |
| H - | Transport and storage | GWh/EUR million | 1.41 | 0.60 | 0.82 |
| L - | Real estate | GWh/EUR million | 0.46 | 2.09 | 0.55 |
| 7 | Proportion of investments in investment-receiving companies with facilities/ activities in or close by to sensitive biodiversity areas if these investment-receiving companies' activities have a negative impact on these areas | Per cent | 0.0 per cent | 0.0 per cent | 0.0 per cent |
| 8 | Tonnes of emissions of water generated by the companies that are invested in per million EUR invested expressed as a weighted average | Tonnes/EUR million | 265.3 | 1.6 | 27.8 |
| 9 | Tonnes of hazardous waste and radioactive waste generated by companies that are invested in per million EUR invested expressed as a weighted average | Tonnes/EUR million | 13.7 | 45.9 | 34.6 |
| 10 | Proportion of investments in investment-receiving companies that have been involved in violations of the UN Global Compact principles or the OECD's guidelines for multinational enterprises | Per cent | 0.0 per cent | 0.0 per cent | 0.0 per cent |
| 11 | Proportion of investments in investment-receiving companies without policies for monitoring compliance with the UN Global Compact principles of the OECD's guidelines for multinational enterprises or without mechanisms for processing companies with a view towards addressing violations of the UN Global Compact principles or the OECD's guidelines for multinational enterprises | Per cent | 35.1 per cent | 53.1 per cent | 42.1 per cent |
| 12 | Average unadjusted salary difference between genders in the investment-receiving companies | Per cent | 13.1 per cent | 12.5 per cent | 12.7 per cent |
| 13 | Average ratio between female and male board members in the investment-receiving companies expressed as a per cent of all board members | Per cent | 36.1 per cent | 16.3 per cent | 26.9 per cent |
| 14 | Proportion of investments in investment-receiving companies that are involved in the manufacture or sale of controversial weapons | Per cent | 0.0 per cent | 0.0 per cent | 0.0 per cent |
| Optional | Consumption and recycling of water | | | | |
| | Average amount of water that is consumed by investment-receiving companies (in cubic metres) per million EUR in revenue for the investment-receiving companies | Tonnes/EUR million | | 1,370.4 | 1,370.4 |
| | Weighted average percentage of water that is recycled and reused by investment-receiving companies | Per cent | | 9.13 per cent | 9.13 per cent |
| Optional | Proportion of investments in investment-receiving companies who do not have policies to prevent workplace accidents | Per cent | 26.5 per cent | 33.8 per cent | 30.0 per cent |
| 15 | Investment-receiving countries' greenhouse gas emission intensity | Tonnes/EUR million | 176.8 | | |
| 16 | "Number of investment-receiving countries associated with violations of social rights (absolute figures and relatively speaking divided by all investment-receiving countries) as defined in international treaties and conventions, UN principles and if relevant national legislation | Per cent | 0.0 per cent | | |
| 17 | Exposure to fossil fuels via real estate | Per cent | 0 | 0 | 0 |
| 18 | Proportion of investments in energy-inefficient real estate | Per cent | N/A | 71.9 | 71.9 |

# Better ESG data requires patience

In 2020, ATP launched an ESG questionnaire with the ambition of improving the ESG data basis for the unlisted companies in our portfolio. Over the past few years, there has been a growing interest in the listed markets driven by investors and increasing regulation, but this has not been the case for the unlisted assets with more concentrated ownerships. We therefore knew that it would be a challenge, and even if we have made some progress, there is still a long way to go.

On the positive side, first and foremost we can note that we have been joined by three other pension companies that will also use our questionnaire for their unlisted investments. Thus we are creating ripples by having more entities ask the same questions and this draws more attention to the importance of ESG reporting. We are also expanding the data basis so that we can make better analyses of different sectors and compare the results achieved by companies.

We can also note that the number of participating companies has grown year by year and in 2022 this has been driven by companies owned by our business partners. This year, ATP noted a slight decrease in the level of reporting among the companies owed by capital funds. This is because a fund that reported on behalf of many companies in 2021 now this year had to pause its reporting to strengthen its reporting basis and data collection processes. Therefore, we expect that the decrease seen in this year will turn into solid progress next year.

If one looks at the companies that have reported for all three years in which we have sent out the questionnaire, we can also see progress. Here, we can see an improvement in the response rate year over year where it is particularly the base level that is being raised by companies, which provides a more complete reporting. We can also see that the questionnaire is driving real developments as companies get relevant policies and management systems in place.

But despite the positive development, we still have a way to go before we are at a satisfactory level. Here, the challenge is first and foremost getting more companies to respond. It is particularly the companies owned by capital funds where the agreements were made before ATP introduced an ESG questionnaire that are failing to respond. When we enter into new agreements with capital funds, ESG data is part of the contractual basis.

We can also see that many companies, particularly when they are reporting for the first time, have a low response percentage and it is particularly in the quantitative parameters that data is lacking. Here, ATP is focused on ensuring that companies understand that policies must be followed up with management systems that can document the companies' efforts.

At length, there is also need for an expansion of the data basis so that we have more data for more companies in the same industries. In most industries (GICS classification), there is only a handful of companies, but it is only for very few industries where we have a data basis from more than 10 companies. In this area, it is our expectation that the strengthened data basis that our business partners will provide us will address this challenge.

**HOW WE USE THE RESULTS**

ATP uses the questionnaire in the annual asset management process with our portfolio companies. Here, we specify action points with a focus on reporting, policies and processes for companies and then we have annual follow-ups in our dialogues with the companies.

**WELCOME TO BUSINESS PARTNERS**

In 2022, ATP was able to welcome its first external business partners who will also send out the questionnaire to the unlisted companies in their portfolio. These are Akademikerpension, PenSam and Danske Bank Asset Management.

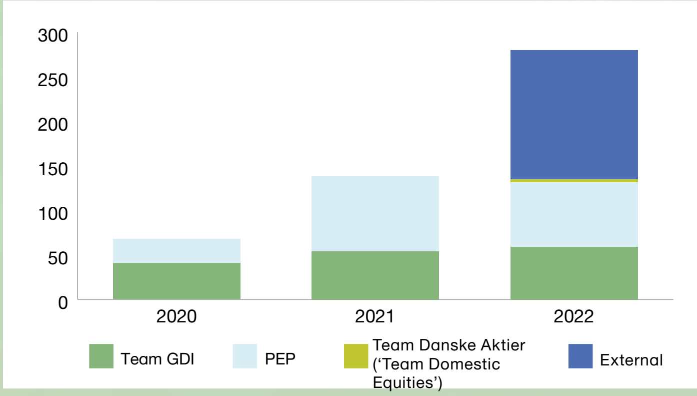
## Company with improvements in several areas

Even if the data basis is still scarce, we can already now see that companies are acting on our questionnaire and improving their practices so that they can report on data and involve ESG issues in practices. The example below shows a company that in 2021 was neither reporting sufficiently or carrying out the audits one would expect from such a company. In 2022, we were able to note that the company now responded fully to the questions.

| Renewable Energy/Electricity | Production Waste Reuse | Audits on Suppliers |
|---|---|---|
| 2021: Was not reporting on the proportion of energy and electricity from renewable energy sources. | 2021: Was not reporting on what proportion of their production waste was recycled. | 2021: Replied that they did not carry out audits on suppliers. |
| 2022: Reported that 39 per cent of electricity consumption and 33 per cent of energy consumption were from renewable sources. | 2022: Reported that 0 per cent of their production waste was recycled. ('0' responses are just as important as other responses). | 2022: Is now carrying out audits via internal processes. |

## More companies provide a better basis or analyses

As more and more of our portfolio companies are reporting and as we are inviting other investors to also use the questionnaire we will get more and more responses which, over time, will increase the opportunities for making analyses of companies and industries that can be used in our asset management activities and for the benefit of the companies' development.




**$CO_2$ statements, illiquid assets**

| 2022 | No. of companies | Total Emissions | Carbon Footprint | Carbon Intent. | WACI |
|---|---|---|---|---|---|
| Scope 1 | 132 | 153,733 | 3.17 | 22.57 | 9.58 |
| Scope 2 | 132 | 26,527 | 0.55 | 3.90 | 3.72 |
| Total | 132* | 180,260 | 3.72 | 26.47 | 13.30 |

See accounting policies for definitions, etc.

# Resource consumption, governance and social matters in ATP as a company

**CSR IN THE ATP GROUP**

In 2022, the ATP Group had a total of 2,901 full-time employees and they were mainly distributed across the units in Vordingborg, Holstebro, Haderslev, Allerød, Frederikshavn, Copenhagen and the headquarters in Hillerød.

As a large employer with many offices, the ATP Group leaves its 'footprint' on society, for example in the form of environmental, climate and employee impacts.

ATP plays a significant role in society and as a large workplace we have a social responsibility. We are conscious of this responsibility and work continuously to encourage development in a more sustainable direction, economically, socially and environmentally.

**RATIOS FOR ENVIRONMENT IMPACTS**

In the table on the next page, ATP accounts for its environmental impacts, for instance through $CO_2$ emissions, electricity, heat and water consumption in ATP's Danish offices in Haderslev, Holstebro, Vordingborg, Frederikshavn, Hillerød, Allerød and the offices of ATP's subsidiaries in Copenhagen and Aarhus.

In 2022, the consumption was impacted by an increased presence of employees at the offices compared to 2021, which was impacted by the corona pandemic. The energy crisis has also resulted in a stronger focus on consumption and behaviour at the locations.

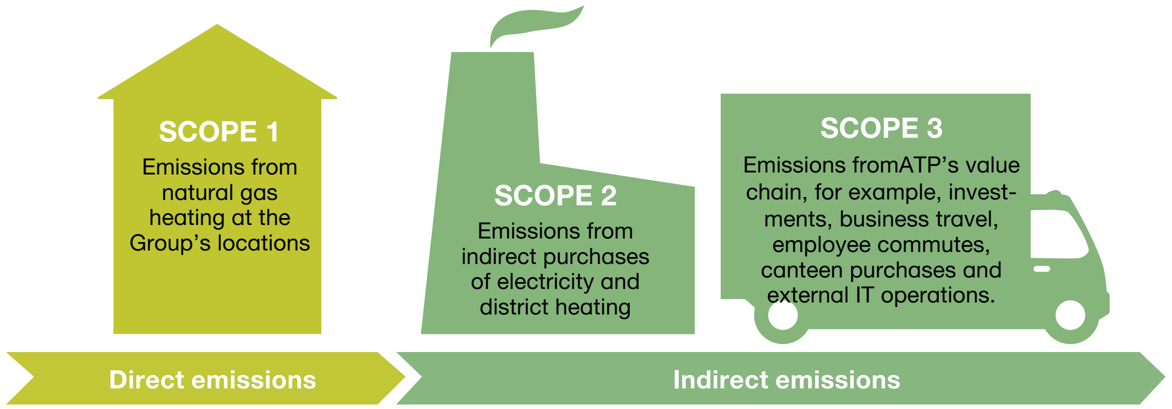
The Group's total energy consumption only rose marginally in 2022, even though there has been significantly more employees at the offices compared to 2021. In 2022, work has been done with the buildings' installations where, among other things, we have succeeded in reducing the vacancy consumption rates significantly. The heating consumption is less than it was in 2021, which can be attributed to warmer weather and lower thermostat settings at our offices. The water consumption has increased significantly, which is directly correlated with the higher levels of activity at the locations.

All in all, the calculated scope 1 and scope 2 emissions have decreased compared to 2021, which can be attributed to a marginally lower total energy consumption and helped by new solar cells being installed at the head office in Hillerød in 2022 which have provided approximately 223 MWh of green electricity.

The $CO_2$ emissions from business travel were higher than in 2021, which was to be expected s the travel activities in 2020 and 2021 were at very low levels due to the corona pandemic. The travel activity in 2022 is, however, still significantly lower than it was before the corona pandemic.

ATP's own scope 3 emissions are in total significantly higher than in 2021. This is mainly due the fact that we are measuring data for more activities in 2022 than we did in 2021.

The carbon footprints from ATP's investments are significantly higher than the carbon footprint of ATP as a company. There is a separate reporting on ATP's investment activity on pages 14-15.






**FOCUS ON INDIRECT ENVIRONMENTAL IMPACTS AND ROBUST DATA**

A significant proportion of ATP's emissions of greenhouse gases are indirect and occur in ATP's value chain via the so-called scope 3 emissions. In 2022, ATP focused on expanding the measurement of scope 3 emissions to include employee commutes, canteen purchases, external IT operations and waste management. It is estimated that these activities released approximately 4,739 tonnes of $CO_2$, which is significantly higher than out emission from

**Environmental impact of $CO_2$, consumption of electricity, heat and water, etc.[4]**

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| **ATP facts** | | | |
| Number of locations | 8 | 8 | 9 |
| Number of sq. m. | 60,786 | 60,786 | 63,435 |
| Number of employees (FTE)[1] | 2,901 | 3,044 | 2,729 |
| **Consumption data** | | | |
| Electricity consumption (MWh) | 3,209 | 3,151 | 3,090 |
| **Of which self-produced electricity (MWh)** | **223** | **-** | **-** |
| Heat consumption (MWh) | 5,024 | 5,241 | 4,704 |
| Water consumption (m3) | 15,563 | 12,793 | 16,721 |
| **KPIs** | | | |
| Area per employee (sqm.) | 21 | 20 | 23 |
| Power consumption per employee (kWh) | 1,106 | 1,035 | 1,132 |
| Heating consumption per sq. m. (kWh) | 83 | 86 | 74 |
| **The company's own emissions (CO2e, tonnes)** | | | |
| Direct emissions (scope 1) | 79 | 66 | 75 |
| Indirect emissions (scope 2) - location based | 685 | 727 | 646 |
| Indirect emissions (scope 2) - market based | 1,549 | 1,639 | 1,473 |
| Indirect emissions (scope 3) | 5,435 | 561 | 747 |
| Of which category 1 - water consumption | 12 | 10 | 13 |
| Of which category 1 - purchased IT operations[2] | 74 | - | - |
| Of which category 1 - canteen purchases[2] | 671 | - | - |
| Of which category 3 - energy-related emissions | 283 | 296 | 281 |
| Of which category 5 - waste management[2] | 58 | 52 | 66 |
| Of which category 6 - business travel | 401 | 203 | 387 |
| Of which category 7 - employee commutes[2] | 3,936 | - | - |
| **Emissions from the investments (CO2e, tonnes)** | | | |
| Category 15- Investment activity[3] | 703,254 | 1,253,758 | 1,324,664 |
| **Total emissions (CO2e, tonnes)** | **709,453** | **1,255,112** | **1,326,133** |

[1]Number of employees is calculated as average FTE (full-time equivalents)
[2]The activities were measured for the first time in 2022. For IT operations, canteen purchases and employee commutes, there is no comparison data for previous years. For waste management, the data goes back to 2019.
[3]The stated emissions are impacted by ongoing distortions in holdings and the fact that ATP gets more data on more and more investments over time. Therefore, the absolute category 15 emissions are not comparable on a year-by-year basis.
[4]For a review of the calculation principles, please see the section on accounting policies and methods.

electricity and heating in our buildings and travel activities. The majority of these emissions are from employee commutes.

However, scope 3 emissions are difficult to measure as they are rarely directly measurable in the same way as the consumption of electricity and heating is. Despite the challenges with data, ATP is focused on ensuring that our scope 3 statements are based on credible and high-quality data.

The work on estimating scope 3 emissions is an ongoing process. In the coming years, ATP will be working on improving the data available for our scope 3 statements not just focusing on our own data but also specifying requirements for the data from our suppliers.

**THE CARBON FOOTPRINT NEEDS TO BE REDUCED**

ATP has an ambition of reducing its carbon footprint from its in-house energy consumption and travel activities by 30 per cent in 2025 and 70 per cent in 2030 and to become carbon neutral in 2050 (compared to 2018). In 2022, ATP's calculated carbon footprint was reduced by 48 per cent, so we have thus already reached our 2025 goal. The reduction in $CO_2$ emissions is driven by changes to consumption patterns after the corona pandemic lockdowns. Another factor is the energy optimisation of our buildings and improved emission factors that reflect a higher proportion of renewable energy in our energy supply.

At ATP, we are working in a focused manner on changing behaviour in our everyday lives so that we can contribute to reducing energy consumption and our impact on the climate. Among other things, this is expressed via ongoing initiatives to reduce waste by lowering temperatures in all of our buildings and by integrating climate considerations into our canteen operations.

**Following up on the $CO_2$ ambition for ATP as a company**

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| $CO_2e$ baseline 2018 (ton) | 1,460 | 1,302 | 1,403 | 2,458 | 2,817 |
| $CO_2e$ reduction compared to 2018 baseline | 48 per cent | 54 per cent | 50 per cent | 13 per cent | - |

## = green energy powers ATP

In 2022, the Flex platform was launched as a collaboration between ATP, IBM and Andel. The project contributes to creating a green balance between the supply and demand of energy. The platform reduces power consumption when there is a peak load on the green sources of energy.

## = Sorting waste benefits the environment

Since 2019, ATP's CO2 emissions from waste have been reduced by 44 per cent and the recycling rate has risen from 25 per cent to 36 per cent.

## = Green procurements

In 2022, ATP had new green procurement guidelines when it joined the 'Partnership for Green Public Sector Purchases' ('Partnerskab for offentlige grønne indkøb') and also became a member of the 'Network for Purchases with Environmental Labels' ('Netværk for Miljø-mærket indkøb').

## = Biodiversity is prioritised

The first steps were taken on ATP's biodiversity initiatives, where large parts of built-up areas in the main headquarters in Hillerød are converted to insect-friendly areas.



**SOCIAL RATIOS**

**Employee engagement surveys**
As in previous years, ATP has carried out an employee satisfaction survey. With a response rate of 91, ATP achieved a total engagement score of 82 per cent, which is regarded as satisfactory. The survey shows that there are generally high levels of engagement and satisfaction with ATP as a workplace. The survey also shows that fewer employees are experiencing stress and negative impacts from the psychological working environment compared to 2021.

**Employee turnover rate**
In 2022, ATP's employee turnover rate was 14 percent, which is similar to 2021. The staff turnover was significantly reduced during the corona pandemic and the turnover rate is still slightly lower than it was a year before the corona pandemic in 2019, where the figure was 16 per cent (which was considered to be relatively high by ATP).

**Sickness absence**
Following up on sickness absence for ATP's employees reveals that the average number of sick days per year is 10.7, which is an increase of 3.1 sick days compared to 2021. The level is also significantly higher than in 2019 before the corona pandemic where employees on average had 8.3 sick days per year.

The sickness absence at ATP was reduced by 25 per cent from 2019 to 2020. The decrease is mainly due to less short-term absences related to workers being sent home in connection with COVID-19. Subsequently, there has been a significant increase related to the re-opening of both ATP's locations and society at large. ATP is working in a targeted manner to reduce sickness absence.

**Gender balance in management**
ATP makes every effort to ensure a balanced distribution between men and women in the Group's top management tiers (to be understood here as the two top management tiers under the Supervisory Board) which in practice means a 60/40 distribution. All of ATP's business areas with gender imbalances are working on ensuring a more equal gender distribution in the context of the industry and market they operate in.

The target has been achieved for 2022, as 41 per cent of managers in the top management tiers were women and 59 per cent were men.

**Follow-up on social key figures**

| | | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Number of employees (FTE) | | 2,901 | 3,044 | 2,729 |
| Gender distribution among all employees[1] | Women | 63 per cent | 63 per cent | 63 per cent |
| | Men | 37 per cent | 37 per cent | 37 per cent |
| Gender distribution among top management tiers (executives and CEO)[1] | Women | 41 per cent | 35 per cent | 31 per cent |
| | Men | 59 per cent | 65 per cent | 69 per cent |
| Gender distribution among all management, including CEOs[1] | Women | 52 per cent | 52 per cent | 51 per cent |
| | Men | 48 per cent | 48 per cent | 49 per cent |
| Employee turnover rate[2] | | 14 per cent | 14 per cent | 12 per cent |
| Sickness absence rate (average number of days per FTE) | | 10.7 | 7.6 | 6.3 |
| Pay difference between genders | | | | |
| All employees[3] | | 1.5 | 1.5 | 1.4 |
| Customer advisors, occupational injury case handlers and head of section employees in Customer Service | | 1.0 | 1.0 | 1.0 |

[1] The ratio for gender distribution is calculated based on average FTE
[2] The employee turnover rate is calculated on the basis of all ordinary employees.
[3] The calculation does not include trainees, people employed under the flexjob scheme, temporary employments, members of the Group Management, CEOs of the subsidiaries and civil servants. Previously calculated figures included some temporary employments, but in 2022 the calculation method has been changed to not include temporary employments. The change results in the comparison figure for 2021 increasing from 1.4 to 1.5.

Overall for the Group's management levels (including CEOs), there is an equal distribution of 52 per cent women and 48 per cent men. There is a variation in the gender composition of management roles depending on the management tier and work area. In 2022, there was an overrepresentation of women in general when looking at all employees in the Group.

Part of ATP's strategy is to increase the focus and emphasis on diversity in connection with the recruitment of new employees, and a targeted effort is made to recruit a wide range of candidates for the management and development of in-house talent in ATP's talent programme.

**ATP'S POLICY FOR DIVERSITY AND INCLUSION**

ATP wants to be a competitive and attractive place to work that is capable of drawing in, developing and retaining competent employees - both now and in the future. At the same time, we want to be an organisation with equal opportunities that sees, accommodates and appreciates the potential of diversity.

This policy supports ATP's strategic objective of ATP making a positive contribution to responsibility via an ambitious and strategic approach towards diversity, equal opportunities and inclusion (D&I) at the workplace. We want to ensure a systematic and coordinated approach to responsibility across management tiers and business areas. At the same time, we need to fulfil our social responsibility in relation to Danish society and ATP's most important stakeholders.

The policy and the associated activities also have a focus on improving the opportunities for the under-represented gender as every effort is made to ensure equal representation among genders at the top management tiers.

The policy can also be found at atp.dk
www.atp.dk/en/dokument/
policy-diversity-and-inclusion-atp-2022

**Pay difference between genders**
ATP is an organisation with great variation in tasks and job types that requires diversity in skills and specialists within many different areas. Three employee groups, consisting of customer advisors (approximately 1,000 employees), industrial injury claims processors (approx. 180 employees) and Head of Section employees at Customer Service (approx. 50 employees) and which in 2022 comprised about 40 per cent of the employees in the Group are assessed as being large enough and homogeneous enough to allow for a comparison of salary levels by gender. The salary differences within these employee groups is close to a ratio of 1.0, which means that men are women are receiving the same salaries.

For the ATP Group as a whole, this ratio is 1.5. This covers a salary difference of approximately 46 per cent between men and women across the entire Group. The difference only reflects different job roles between the genders and not pay differences.

**GOVERNANCE RATIOS**

**Pay difference CEO and employees**
The purpose of the key figure CEO-Worker pay ratio is to show the pay ratio between CEO and employees and to show the development in pay for the CEO compared to the employees.

In ATP, the key figure is a factor 12 for 2022, meaning that the remuneration of the CEO corresponds to 12 times the average pay of all employees in ATP. This includes employees carrying out administrative tasks for external parties. In 2021, ATP had temporary employees to manage corona-related tasks such as infection tracing and this pulled down the average salary temporarily in 2021. The average salary is rising again in 2022, though not to the same level as before the infection tracing tasks as ATP has also increased the number of young temporary employees working in a service team with customer service tasks during the sabbatical year All in all, this ratio has decreased slightly compared to 2021.

When considering ATP Livslang Pension (Lifelong Pension) and the associated employees in isolation, and in order for the key figures to be comparable to other pension funds, the key figure is a factor 8, meaning that the remuneration of the CEO corresponds to 8 times the average pay of employees. The ratios are similar to last year



**Follow-up on governance ratios**

| | | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Gender distribution on the Supervisory Board | Women | 46 per cent | 33 per cent | 31 per cent |
| | Men | 54 per cent | 67 per cent | 69 per cent |
| Gender distribution on the Board of Representatives[1] | Women | 42 per cent | 40 per cent | 39 per cent |
| | Men | 58 per cent | 60 per cent | 61 per cent |
| Attendance at Supervisory Board meetings[2] | | 86 per cent | 94 per cent | 96 per cent |
| Pay difference between CEO and all employees | | 12 | 12 | 11 |
| Pay difference between CEO and employees, isolated for ATP Livslang Pension (Lifelong Pension) | | 8 | 8 | 8 |

[1,2]: Comparison figures for 2020 have been adjusted in relation to previously reported figures.

**ATP's report on the status of compliance with the target figures set for the underrepresented gender**
ATP's policy for diversity and inclusion has been adopted by the Supervisory Board and replaces the previous policy for diversity. In terms of the gender composition of ATP's Board of Representatives and Supervisory Board, there is a requirement for a balanced composition which in practice means a requirement of having at least one third of members being from the under-represented gender.

**TARGET FIGURES FOR THE UNDERREPRESENTED GENDER**

ATP's executive order on accounting stipulates that ATP is to account for the status of compliance with the target figures set for the underrepresented gender on the Supervisory Board, including why ATP has not achieved the target set, if this is the case.

The target for the Board of Representatives was met, as on the balance sheet date there were 13 women (42 per cent) and 18 men serving on this board. The target for the Supervisory Board was also met, as there was six women (46 per cent) and seven men serving on this board.

It is the individual organisations that recommend members to ATP's Board of Representatives and the Supervisory Board and the Danish Minister for Employment appoints the members. The appointment period for the Board of Representatives and the Supervisory Board is three years, meaning that one third of the members are appointed each year.

The boards of directors of some of ATP's subsidiaries are also subject to the target of an equal gender distribution in line with the target for the Group's top management tiers, which is having at least 40 per cent of members being from the under-represented gender. In the subsidiaries covered by the legislation, the target has not been met. This is the case for ATP Ejendomme A/S, Timberland Invest K/S, ATP Real Estate Partners I K/S, ATP Private Equity K/S and the companies ATP Private Equity Partners I-VI K/S. This is primarily due to the fact that the Supervisory Boards of ATP's subsidiaries are made up of members of ATP's Group Management and that those with special skills in investment subsidiaries are male members of the Group Management.

## Processes

# New EU rules focus on ESG processes

Working with ESG issues in investments has been a permanent part of ATP's processes and over the past few years we have refined these processes to better match the individual asset classes. Therefore, ATP is prepared for the new EU regulations which are very much an attempt to create transparency about investors' ESG initiatives.

ATP has had a focus on ESG risks (called 'sustainability risks' by the EU) for a long time, and these risks look at how, for example, environmental and social matters may have an impact on the value of our investments. This is also what is called financial materiality. It is ATP's belief that it is not just possible to uncover risks but also to identify positive factors that can increase the value of a investment.

This is particularly the case for the illiquid assets which we are long-term owners of and which cannot be traded on stock exchanges. Here, we have a special focus on uncovering possible sustainability risks in the due diligence phase to be in the best position if we end up buying an asset.

For listed equities and bonds, the process is different. Here we trade on stock exchanges where pricing mechanisms are constantly in motion and where all data, including ESG data, must generally be assumed to be priced in.

On a very general level, it is ATP's belief that sustainability risks are so far at an immature stage compared to financial risks. This does not mean that ATP does not take sustainability risks seriously, but rather that we assess them in relation to the individual investment's characteristics and the available information rather than making schematic assessments.

Going forward investors will also need to report on policies to identify and prioritise the most important negative sustainability impacts. In other words, how their investments impact society - the so-called 'societal materiality'.

For many years, ATP has had a policy for responsibility in investments which describes the requirements that ATP sets for the companies that we invest in (how we view the negative ESG effects of the activities of portfolio companies). Dependent on the asset class, we have different processes that match the characteristics of the investments. For illiquid investments, the analyses must be made beforehand while for listed investments we perform ongoing screenings to detect violations of the policy for responsibility.


**TWO TYPES OF ESG MATERIALITY**

When working with ESG in investments, there are two ways to approach it. If you are looking to limit risks from ESG factors this is called financial materiality or sustainability risks in the EU's Disclosure Regulation.

However, if you are trying to limit a company's impact on the planet from, for example, $CO_2$ emissions, this is called societal materiality or negative sustainability impacts.

A very large part of ATP's overall ESG work is based on financial materiality considerations, although ATP's fact finding work is based on societal materiality, as it is intended to ensure that ATP does not invest in companies that deliberately and repeatedly violate the international norms as laid out by international conventions adopted by Denmark.

ATP believes that there is a correlation between the two types of materiality. A company that does not take its societal materiality seriously will also be at risk of suffering financially and thus there is an overlap.

**Financial materiality**

How does the external environment affect the company's value creation?

**Societal materiality**

How does the company affect its external environment?

## Screening

# Screening of ATP's listed investments

For investments in listed assets such as equities and corporate bonds, ATP typically has ownership stakes in a large number of companies. In our global portfolio, we also have a dynamic equity strategy where the portfolio changes from month to month.

We have therefore developed ESG due diligence processes that are adapted to our investment style. We are continually screening companies in our portfolio to see if they are in violation of ATP's policy for responsibility and this allows us to spot incidents in both new and existing portfolio companies.

Screening is a good method for selecting listed companies, as there is a sufficient amount of data that describes how listed companies behave - for example, from sources such as media articles, NGOs, legal documents and the companies' own reporting. This makes it possible to design systematic screening processes that are focused on sorting through the available information so that we can prioritise using our resources on investigating the most serious allegations.

In this context, ATP works together with external data suppliers that monitor the behaviour of many thousands of Danish and international companies based on a long list of indicators. In addition, ATP can also get information from external sources - including from other leading investors - about whether portfolio companies are potentially violating our policy for responsibility.

The indicators in our screenings cover a broad spectrum of ESG topics from international conventions and the principles of the Global Compact. They cover environmental topics (such as biodiversity), human rights (such as the rights of indigenous peoples), labour rights (such as anti-discrimination and the right to collective bargaining) and corruption.

Screening the portfolio for such topics is an important part of ATP's integration of the OECD's Guidelines for Multinational Enterprises which specifically recommends that investors have risk-based due diligence processes to identify and prioritise cases where a portfolio company might be having a negative impact on society.

**PAI INDICATORS - NEGATIVE SUSTAINABILITY IMPACTS**

As part of the new EU regulations, ATP must annually report on 16 indicators on, among other things, $CO_2$ emissions and biodiversity and explain what ATP is doing to minimise the negative sustainability impacts related to the indicators.

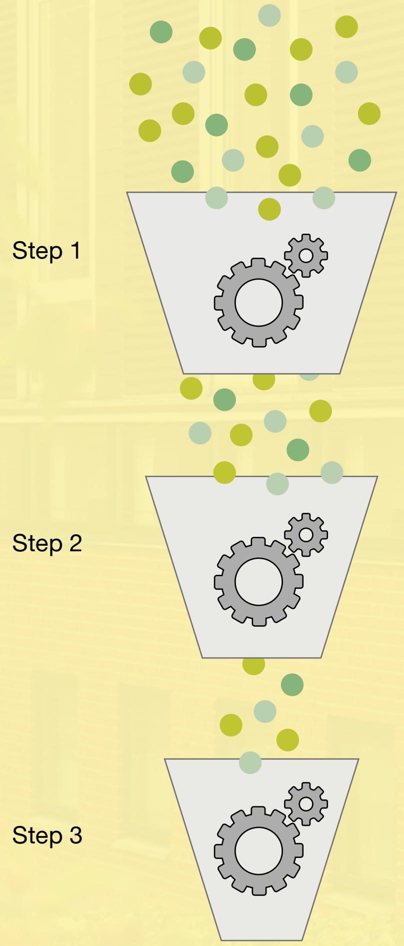
**GOVERNMENT BONDS**

ATP operates separate processes for investments in government bonds. These processes are to ensure that ATP does not invest in government bonds from countries where the EU or UN has implemented targeted sanctions, and this is controlled on a daily basis via a solution that is integrated into our trading system. We also use the OECD's long-term country risk classification to ensure that ATP only invests in government bonds from countries where ATP assesses that the risk is in line with the expected returns.

**RISK-BASED SCREENINGS OF ATP'S EQUITIES UNIVERSE**

When ATP invests in global equities, we select them from a universe consisting of many thousands of companies. Because our portfolio is dynamic, we do not only screen our current investments, we also make risk-based screenings of the surrounding universe of equities. This allows us to identify the potential investments that should be investigated further before pursuing them. In a risk-based screening process, we base our approach on an issue that we want to know our potential exposure to and which, for example, is identified on the basis of previous fact-finding processes or a current media story.

**THE SCREENING PROCESS**




**1. Screening**
The first screening step identifies companies in the portfolio which may possibly be in violation of ATP's policy for responsibility. Based on the indicators selected, we have developed a system which enables the automation of identification of companies most likely to be in violation of ATP's policy. These companies will typically have better substantiated complaints against them than will other companies in the portfolio, and will therefore have significantly worse scores on the ESG indicators selected.

**2. Prioritisation**
When the scores obtained by a company do not meet our minimum requirements, it is investigated whether the complaints against the company – provided that they are deemed valid – could also constitute a violation of ATP's policy of responsibility in investments. This leads to the second step of the process. In this step, the allegations are qualitatively assessed by ATP's ESG analysts. Specifically, this is done by multiple analysts independently assessing the charges against each of these companies and then this is followed by a joint selection procedure.

**3. Fact-finding processes**
Throughout the process, we focus on the requirements of and recommendations for companies that can be derived from the Global Compact principles and the OECD Guidelines. The OECD Guidelines, for example, include recommendations for what companies should specifically do, e.g., to avoid contributing to corruption. In cases where it is our assessment that the complaints are serious and could constitute a violation of ATP's policy of responsibility in investments, the company is made the subject of the third step of the investigation which is an in-depth investigation of the allegations and the company's actions – a so-called fact-finding process.

Fact-finding

# How we investigate ESG allegations against companies

If one of ATP's screenings indicate that a company may have violated ATP's policy of responsibility in investments, we start a fact-finding process. A fact-finding process is a flexible investigation where ATP can use various sources such as legal documents, NGO reports or corporate websites. The aim is to allow ATP's Committee for Responsibility to conclude whether ATP's policy has been violated or not.

In the fact finding process, ATP analyses the charges against the company to see if they are supported by facts. Often, we also initiate a dialogue with the company to hear their version of events. If our investigation finds questionable behaviour, the company will have the opportunity to explain whether there has been launched organisational or operational initiatives to rectify matters and avoid future problems. A fact-finding process will therefore often take several months.

It is the seriousness of the specific allegation and not the size of our investment in the company that guides our work and conclusions. We thus act the same whether it is a small or large investment and our prioritisation is based solely on societal materiality.

If a fact-finding process concludes that the company's behaviour does not violate ATP's policy, the process is concluded. However, if the fact-finding process shows that ATP's policy may have been violated, the analysts will present their results to the Committee for Responsibility and recommend that they start a targeted dialogue with the company or exclude it.

Once ATP's Committee for Responsibility has determined that a portfolio company has violated ATP's policy, we will decide whether to exclude the company or enter into a targeted dialogue with it. We will enter into a targeted dialogue with the company if there is reasonable cause to expect that ATP can influence the company to change its behaviour.

The purpose of the dialogue is to make the company correct the problem or, in the words of the OECD Guidelines, cease and mitigate its adverse impact on society or rights holders. This also means that we are patient in this process as long as we find that the company is being constructive and demonstrating progress.

If the company is unwilling to change its behaviour, in the end we will decide to exclude it. ATP's Committee for Responsibility may also choose to exclude the company without first engaging in dialogue with it. Exclusion means that ATP divests itself of its investments in the company and that the company is removed from ATP's investment universe for an indeterminate period of time.

The exclusion applies to equity investments in the company itself and all majority-owned subsidiaries as well as loans to the company and its subsidiaries. The current list of excluded companies can be found at atp.dk.

**WHEN ADDITIONAL INVESTIGATIONS ARE UNNECESSARY**

ATP prioritises the deployment of its resources on investigating companies that we are either invested in or considering investing in - in other words, where there is a real risk that ATP would be linked to a company's problematic behaviour. Companies outside of our equities universe which we do not consider investing in are generally not something that we independently choose to investigate. However, there are certain types of companies that ATP wants to be absolutely sure we are not associated with and where additional investigations are also not needed. Specifically, these are companies that produce cluster bombs, landmines or nuclear weapons in violation of the non-proliferation treaty or companies that are subject to international sanctions and which ATP cannot invest in. In this regard, ATP uses research from specialised external data suppliers with particular insights into either the production of weapons or sanctions.

Due diligence

# Illiquid investments require thorough preparation

A significant part of ATP's portfolio is allocated to direct investments. This means that we are co-owners of airports, highways, real estate, forests and other assets. These are typically called illiquid or unlisted investments, as we cannot sell them on a stock exchange but rather have to find an outside buyer which involves higher transaction costs.

We also typically own a larger proportion of a company when making such investments, meaning that we have a greater responsibility to ensure that the company is not involved e.g. in violations of the OECD's guidelines for multinational enterprises.

Therefore, we are focused on uncovering material ESG risks that would have an impact on our investment before we step in as co-owners. We look at both financially and societally material risks. Both types of risks need to be uncovered and there must be agreed upon action plans to remedy potential deficiencies when ATP steps in as a co-owner. The ESG due diligence is an integrated part of our investment due diligence processes that are carried out in ATP's investment forum.

Our ESG process for direct investments is tailored to these kinds of assets specifically. As these are individual assets, we can narrow down the relevant ESG areas into, for example, geography, industry, etc. and concentrate our focus on these when we investigate the ESG risks of a potential investment.

In order to assess ESG conditions for individual investments, we use ATP's own question bank to target our research of the conditions surrounding a potential investment. This question bank is based on SASB's materiality tool, which identifies the most financially material ESG issues within all sectors. In the event that there is a need for specialised technical expertise, we can use external specialists to ensure that all details are considered.

With this approach, we cover all of the most important facets of our investments. We also assess ESG-related policies, processes and historical performance with a view to ensuring that the company meets our requirements and to identify potential opportunities for improvement.

As an investor, we also have a financial interest in using our influence in our stewardship activities to ensure companies better manage their ESG issues, as this helps to create sustainable growth in the companies and makes them better long-term investments.

### ESG ASSET MANAGEMENT

ATP follows up systematically on ESG developments in our direct portfolio companies with a view towards continually optimising the companies' initiatives and to mitigate any potential ESG risks. We do this via a two-fold process where both the investment team and the ESG team play important roles. The ESG team is responsible for annually reviewing the results of ATP's ESG questionnaire. Here, we analyse individual companies' responses and look at whether the developments are satisfactory. On this basis, we will send the company specific questions and recommendations related to their ESG work.

The investment team is responsible for the financial part of our ESG asset management and here the ESG team serves as a sparring partner. We are continually updating our views on what opportunities and risks a company faces and identifying trends that could impact a company's business model. Based on this, we specify a risk score that is used for our asset management work with the company.

### ATP'S DUE DILIGENCE FOR DIRECT INVESTMENTS

ATP's investment forum ensures a thorough and holistic assessment of opportunities and risks. The investment forum is the framework for ATP's investment structure with 'gates' that ensure that all information is gathered, analysed and assessed prior to the final investment decision. The process also helps to ensure that all our decisions are documented in ATP's systems. Each gate is also a "stop or go" decision for the investment. If there are problems related to ESG, tax, legal or other matters, these can halt an investment.

**Screening phase**
In the first phase, the investment team uncovers the potential investment case and makes an initial proof of concept

**Gate 1** The investment team decides whether to continue working with the case

**Analysis**
The investment case is analysed in more detail and relevant teams are involved to schedule the due diligence process

ESG makes an initial assessment of the investment

**Gate 2** Investment Forum

**Due diligence**
In-depth analysis of a number of conditions, including contacts between ATP and the investment case

ESG questions from question bank, materials from data room and dialogue with the investment case

**Gate 3** Investment Forum

**Clarification phase**
Negotiation of price and terms of the acquisition.

Areas where ESG matters can be improved are identified. Some matters are included in the contractual basis.

**Gate 4** Final approval in Investment Forum

**Implementation**
The investment is added to ATP's systems and becomes part of the ongoing asset management work.

ESG action points are followed up upon and the results from ATP's ESG questionnaire are used in the ongoing dialogues.

ATP's Risk and Investment Committee approves the investment

## ESG and new construction projects

# Responsibility during the construction and operational phases of new real estate projects

ATP's real estate investments are managed by ATP's subsidiary, ATP Ejendomme, which is in charge of buying and selling real estate, leasing, maintenance and renovation. ATP Ejendomme therefore also has its own ESG department that ensures that ESG issues are involved in all processes. In recent years, ATP Ejendomme has focused on new construction projects and major renovations of existing properties. Because ATP Ejendomme is the construction client, it can choose future-proof solutions that ensure that the value of the buildings are preserved in the long run.

Therefore, the due diligence process for real estate includes both elements of traditional ESG due diligence and a focus on technical construction aspects which are to ensure the building's long-term value from the selection of materials, energy consumption, etc. This is needed as it is very costly to retrofit an existing building, and therefore wrong choices made during the construction process will have negative impacts for many years in the future.

ATP Ejendomme's requirements for ESG in new construction projects has five elements that include ESG due diligence. When it comes to energy consumption an certification, the requirements differ when talking about new construction projects or a renovation project.

### ATP Ejendomme's ESG guidelines for new construction projects

You can read more about ATP EJendomme's work with sustainability at atp-ejendomme.dk/baeredygtighed/

1. **Energy consumption - new construction projects**
   a. All buildings are to have a strong focus on energy efficiency, and it must be part of creating value for ATP's customers.
   b. New construction projects need to comply with the requirements of the voluntary Bygningsklasse 2020 standard.
   c. Renewable energy such as solar panels and geothermal energy must be considered while also taking into account aesthetics, functionality and the overall finances.
   d. Project proposals must include innovative proposals for reducing energy consumption. This may involve technical solutions, but the proposals can also be about optimising user behaviour.
2. **Energy consumption - major renovation projects**
   a. Generally speaking, the aim is to have energy savings of at least 20 per cent after a renovation project is completed.
3. **Certification - new construction projects**
   1. From 2020, all new construction projects must at minimum be certified under the DNGB Gold standard or international standards that are similar.
4. **Certification - major renovation projects**
   a. Major renovation projects must be able to achieve a DNGB Gold certification. If specific issues in the construction render this unattainable, it is acceptable to settle for a DNGB Silver certification. If, upon completion of the project, a certification cannot be obtained, there must be a specific assessment made of which initiatives are needed to gain the certification.
5. **Guidelines for materials**
   a. All construction materials must be disposed of with a view towards recycling.
   b. If possible, recycled materials must be used.
   c. We want to use sustainable and non-hazardous materials with an environmental certification if this exists for the relevant types of materials.
   d. For materials used on a large scale, there must be made both a lifecycle analysis of the environmental impact and an assessment of the overall finances.
6. **A healthy and safe working environment**
   a. All major suppliers must keep statistics about work accidents and document initiatives to prevent work accidents from occurring In addition, ATP expects that the requirements of the Danish work environment regulations and ATP Ejendomme's purchasing policy are adhered to.
   b. At minimum, the properties must promote a healthy interior climate for all users and at minimum be in the 'standard' category under the guidelines from Statens Byggeforskningsinstitut.
7. **Responsible business partners**
   a. ATP's business partners must actively contribute to preventing fraud, corruption and the formation of cartels. Business partners must comply with the existing legislation in the countries that they operate in.
   b. Business partners may not knowingly and repeatedly be involved in problematic ESG behaviour.
   c. Business partners must comply with ATP's general tax policy.

**ASSET MANAGEMENT IN REAL ESTATE**

Sustainability must be considered in all business processes to ensure that our properties help to push things in the right direction. Asset management plays a key role in this context.

The daily dialogues with the customers in the properties is handled by ATP Ejendomme's asset management department, which is responsible for developing the individual properties for the customers' needs and for the properties' finances and long-term returns. The dialogue can either be directly with the customers or with ATP Ejendomme's business partners for the externally managed part of the portfolio. ATP Ejendomme's asset managers are thus also overall responsible for ensuring that the properties live up to the ambitions for sustainability that ATP Ejendomme has defined.

They do this in collaboration with ATP Ejendomme's ESG department and with the colleagues in ATP Ejendomme's operations and project organisation who take care of the operation of the properties on a daily basis and who carry out a large number of different construction projects each year - from maintenance of the climate shell and technical installations for conversions and interior design projects.

Each property and each segment of the portfolio must contribute to realising the sustainability ambitions based on their different characteristics and potentials. Newer properties with modern installations must, for example, be able to deliver a lower carbon footprint and a better indoor climate than older properties, which in turn may have a greater potential for improvements in connection with ongoing maintenance and upgrades. ATP Ejendomme has developed a tool for rating the properties on a number of the most important ESG parameters. The tool will be rolled out on the Danish portfolio in 2022.

**SUSTAINABILITY CERTIFICATION**

A sustainability certification is made by an external organisation that uses a number of fixed parameters to assess a building's sustainability. For example, they look at the building's climate and environmental impact and also factors such as physical working environments, selections of materials, etc. Typically, a sustainability certification goes hand in hand with low operating costs. If $CO_2$ emissions are reduced, this also involves saving money on the electricity and heating bills.

**LABOR CLAUSES**

We have introduced labor clauses for our Danish activities in order to have all suppliers ensure that employees and, if relevant, subcontractors have salaries, working hours and other working conditions that are the same as would apply for the same kind of work under a collective agreement entered into by the representative labour market parties in Denmark.

Due diligence

# Fund investments require thorough preparation

With fund investments, ATP makes a commitment to the fund manager of being willing to invest a sum over a given investment period. In other words, the specific assets that we will become co-owners of by investing in the fund are not known, but only the sectors, geography and size of the companies that the fund plans to invest in. For example, this may be a fund whose goal is to invest in North European growth companies in the digitalisation and healthcare sectors.

This is a challenge when we need to carry out our due diligence on investments. Unlike with other asset classes, we cannot investigate the specific companies - we can only investigate the fund asset manager and its approach to ESG issues when the fund begins to invest on behalf of ATP.

When ATP has identified a fund that we are considering investing in, as part of the due diligence process the fund will also receive a questionnaire with questions about ESG issues. We also review the fund's ESG policy which describes its approach to ESG issues. In addition, ATP always enters into a dialogue with the fund to clarify issues and get insights into its thoughts, processes and experiences related to ESG. The assessment of the fund also includes knowledge of the context in which the fund operates, e.g., sectors and countries, climate-related issues and other issues of potential relevance.

The purpose is to uncover the thinking held by the fund regarding ESG and how ESG is considered relative to the companies invested in. We do this to ensure that the potential funds understand and have processes in place to manage ESG issues in their investments. ATP prefers when the fund has processes approximating ATP's own approach to due diligence in illiquid investments.

In addition, the fund must also comply with ATP's basic ESG requirements, for example, that ATP does not want to invest in the extraction of fossil fuels via illiquid funds.

Since 2018, ATP has worked with ESG due diligence on funds and has observed significant improvements in their engagement with ESG issues. Particularly in recent years, we have observed a stronger focus on ESG issues where many have worked in a targeted manner to improve their ESG integration and collect better ESG data. This stronger focus is, among other things, due to pressure from ATP and like-minded investors and stricter regulatory requirements. However, we are also seeing that a value-creating ESG focus is becoming increasingly important when the fund needs to sell the assets again.

More funds have also begun asking ATP about sharing knowledge and ideas about ESG issues. Some funds need to work on the development of their own processes and particularly in terms of reporting. Other funds have expressed a desire to have a close ongoing dialogue to ensure that the focus is maintained and that they keep up with trends and developments.

**ESG DUE DILIGENCE IN ATP LONG TERM DANISH EQUITY**

ATP Long Term Danish Equity is characterised by investments in Danish companies or companies with a strong attachment to Denmark. There is also an ambition and desire to work closely with companies during the ownership period. The approach to ESG due diligence for investments in ATP Long Term Danish Equity is the same as it is for direct investments in other investment teams, but the work will always be based on a Danish perspective. For these investments, there are opportunities for close dialogues with the management teams about ESG issues and as with the other investment teams, areas are defined and passed on to asset management.

## How ATP classifies funds with regard to ESG

As part of monitoring developments in ESG for our private equity funds, we have developed four different categories. The classification of a fund depends on how mature the fund is in terms of handling ESG issues. The classification model was updated in 2022, as ESG developments in capital funds are moving in a positive direction and therefore we have chosen to tighten our criteria to remain ambitious. This is to ensure that we continue to push the funds in a positive direction and we can see this happening when the funds propose a new fund to us.

| Level | Distribution before 2021 | Distribution after 2021 |
|---|---|---|
| 1 | Formal policies are in place and there is real engagement with ESG issues. ESG is therefore integrated at all levels. | + There is an explanation of the value proposition of ESG and a focus on risks and opportunities. There needs to be reporting made on KPIs, best-practice initiatives need to be in place and the process must have been in place in a previous fund. |
| 2 | Initiatives are in place in terms of integrating ESG issues into policies and processes in general, but this is not in place at all levels and over the entire investment cycle. | + Policies are in place to integrate ESG issues into investment processes and there is some evidence of integration. There is a clear understanding of the importance of ESG issues. |
| 3 | Sporadic engagement with ESG issues on a general level. No formal policies or processes are in place or else they are very limited/general. | + There is a lack of understanding of the importance of ESG issues and what it means to integrate ESG issues into investment processes. |
| 4 | There are no policies or processes in place and no understanding or only a limited understanding of the importance of ESG issues. | No change. |

In connection with the annual sending out of ATP's ESG questionnaire, there is a dialogue with all funds that receive it. If the fund is engaging with the questionnaire, the dialogue will be based on the data that is provided and analysed. ATP produces an overview for the fund so that the dialogue can focus on the areas that are most useful to focus on (dependent on the fund's focus). For the funds that are not participating, there is a dialogue about the general ESG developments within the fund and any potential new initiatives.

Due diligence

# ESG requirements for green bonds

As one of Europe's largest holders of bonds, we want to use our influence to develop the market for sustainable bonds. When in 2017 we decided to enter the market for green bonds, we also developed our own approach aimed at ensuring that the green bonds we invest in comply with out investment and ESG requirements.

The market for green bonds has grown significantly in the past few years and has now reached a level of maturity where it is more about managing the market, for example in the form of regulatory initiatives.

At ATP, we specify ESG requirements for our green bonds and we have therefore developed our own standard that goes beyond the recommendations of the Green Bond Principles to assess the green bonds. Among other things, we require transparency related to the projects that the bonds help to finance and we also have requirements for the quality of the reporting.

When looking at green bonds, we have strict requirements for transparency. We focus on how much information we as investors can get about how the profits from the bond issue are stored and which projects receive financing. We believe that it is best if we can see exactly which projects our bonds have financed and what their impact is. Not all bond issuers are at this level yet, but the trend is moving in the right direction.

This, however, is not always possible when we look at state issuers of bonds for two key reasons. Firstly, states cannot track the profits in the same way as other issuers, as - from a purely legal perspective - they are not allowed to have a special account for money raised via green bonds. Secondly, states also finance green state expenditures with the profits from green bonds. This includes tax cuts and subsidies from which it is not necessarily possible to measure the direct climate impact - unlike when, for example, a company builds and operates a wind turbine. Therefore, ATP's criteria take into account that there may be structural differences regarding the issuers' ability to be transparent about issues such as how profits are managed and how the impacts of specific projects are reported.

States are important actors in the market for green bonds but we cannot compare state-issued green bonds with other issuers of green bonds on a 1:1 basis in all aspects. Therefore, when developing our criteria we have ensured that they can include the characteristics of various types of issuers so that ATP can ensure that we are selecting the best issuers in each category.

**STRICT REQUIREMENTS FOR CREDITWORTHINESS**

ATP does not compromise on creditworthiness when investing in green bonds. We specify the same creditworthiness requirements for issuers of green bonds as we do for other issuers in the hedging and investment portfolio. For example, the green bonds from state issuers are part of our hedging portfolio and thereby also our long-term pension liabilities. We therefore also have a long-term commitment in the green bond market.



## Requirement for green corporate bonds: Credible transition plans

It is our assessment that the market for green corporate bonds is still immature and that there will be more requirements for companies in coming years. In order to build a robust portfolio of green bonds, we are also looking more broadly at the companies' plans for the green transition before we invest in a green bond. This also allows us to ensure that we are not financing green bonds in companies if it would just free up capital to finance black investments elsewhere in the company. We are therefore particularly focused on investigating the credibility of the issuers by looking at their ESG performance and their green ambitions across their whole range of business activities. One example of this is utility companies that still use coal to produce electricity while working on the transition towards green energy. In such cases, we need to be sure that there is a long-term and credible plan to transition the company away from coal. The companies must also comply with our general requirements for utility companies.

**PROCESS FOR DEVELOPMENT BANKS AND GOVERNMENT BONDS**

| What we look at | Development banks | Government bonds |
|---|---|---|
| **The framework** | Does the bond issuer describe its strategy and how the projects fit into this strategy? | Does the bond issuer describe how the green bonds contribute to national targets as per the Paris Agreement? |
| **Selecting projects** | Does the bond issuer describe the process for selecting projects?<br><br>Does the bond issuer describe what specific requirements there are for the project in the selection process? | Does the bond issuer describe what types of public expenses can be financed via the bond issue?<br><br>Has there been taken precautions to avoid double counting of green projects? (For example: projects in state-owned companies that issue their own green bonds) |
| **Managing the proceeds** | Does the bond issuer track the proceeds until full allocation has been achieved?<br><br>When are the proceeds expected to be fully allocated to projects? | Does the bond issuer describe what budget periods are financed by the bond issue? |
| **Reporting** | Does the bond issuer report on the project level? | Does the bond issuer report on what proportion of the proceeds have gone to either projects or state expenses? (For example, subsidies and tax incentives) |

# Accounting policies and methods

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**ATP'S POINT SYSTEM FOR COMPANIES' $CO_2$ REPORTING**

ATP has developed a model where we categorise companies based on their current levels. Every scope gets between 0-3 points, and the points are then added together to find the overall level of reporting. Nine points can be achieved if a company reports sufficiently on scope 1, 2 and 3 emissions.

The goal here is for companies to work on improving their reporting based on their current status, but there is also an expectation that everyone keeps improving.

| | Assessment of scope 1 | Assessment of scope 2 | Assessment of scope 3 |
|---|---|---|---|
| 0 points | No reporting | No reporting | No reporting |
| 1 point | Only reporting on a single figure for Scope 1+2 | Only reporting on a single figure for Scope 1+2<br>Does not specify whether scope 2 reporting is market-based or location-based | Only reporting on a single figure for scope 3 (without specifying the distribution between the various subcategories) |
| 2 points | Does not report on a company-wide basis | Does not report on a company-wide basis<br>Is only reporting on one of the figures: Market-based or location-based | Is reporting on some, but not all, relevant scope 3 categories |
| 3 points | Is reporting on a single company-wide scope 1 figure | Is reporting on both company-wide, market-based and location-based figures | Is reporting on all relevant scope 3 categories and, if not needed, states which subcategories are not applicable |

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**$CO_2$ METRICS**

$CO_2$ figures are calculated based on the following formulas:

**Total carbon emissions**

$$\sum_i^n \left(\frac{\textit{Value of Investment}_i}{\textit{Issuer's EVIC}_i} \times \textit{Issuer's Scope 1 and Scope 2 GHG emissions}_i\right)$$

Total carbon emissions are the emissions that correspond to ATP's ownership stake

**Carbon Footprint**

$$\frac{\sum_i^n \left(\frac{\textit{Value of Investment}_i}{\textit{Issuer's EVIC}_i} \times \textit{Issuer's Scope 1 and Scope 2 GHG emissions}_i\right)}{\textit{Total Portfolio Value}}$$

The carbon footprint statement is normalised based on the total size of the portfolio.

**Carbon Intensity**

$$\frac{\sum_i^n \left(\frac{\textit{Value of Investment}_i}{\textit{Issuer's EVIC}_i} \times \textit{Issuer's Scope 1 and Scope 2 GHG emissions}_i\right)}{\sum_n^i \left(\frac{\textit{Value of Investment}_i}{\textit{Issuer's EVIC}_i} \times \textit{Issuer's Revenue}_i\right)}$$

The carbon intensity method focuses on the companies' $CO_2$ efficiency, as this is normalised based on the earnings of the portfolio companies.

**Weighted Average Carbon Intensity**

$$\sum_i^n \left(\frac{\textit{Value of Investment}_i}{\textit{Total Portfolio Value}} \times \frac{\textit{Issuer's Scope 1, Scope 2 and Scope 3 GHG emissions}_i}{\textit{Issuer's Revenue}_i}\right)$$

WACI shows the average $CO_2$ intensity for all companies in the portfolio, weighted by their respective sizes relative to the portfolio.

**EVIC = Enterprise Value Incl. Cash**



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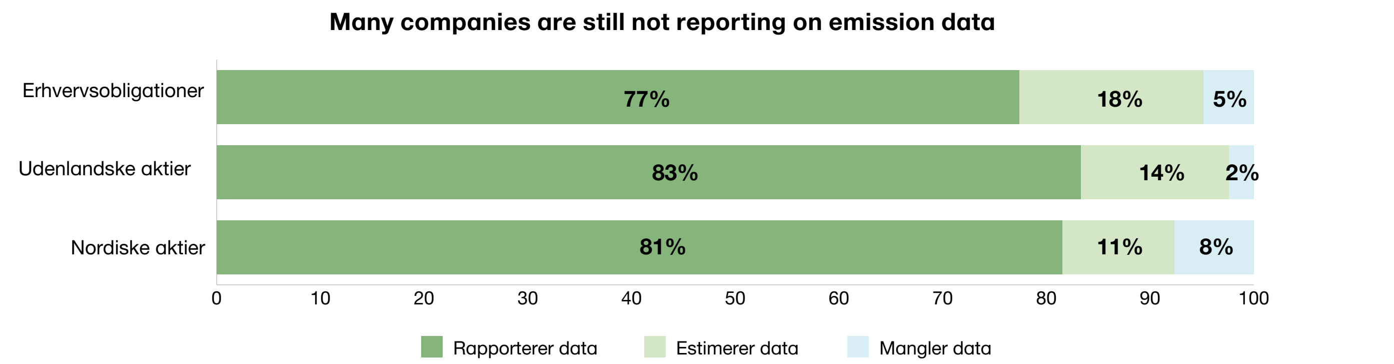
**DATA BASIS FOR $CO_2$ REPORTING**

ATP includes estimated data from third parties in its measurement. The degree of coverage for different asset classes can be seen below. Covers scope 1 and scope 2.




**LOCATION-BASED AND MARKET-BASED REPORTING.**

In the measurements for market-based scope 2 emissions, ATP has used market-based reporting from the companies that calculate both market-based and location-based $CO_2$ data. For companies that only report using one method, the reported data has been used regardless of whether it was from one method or the other. For location-based reporting the method is the same, just with a preference for location-based data in the companies that report on both figures.

Location-based reporting covers the actual emissions from electricity consumption, etc. on the electric grid the company is using. Market-based reporting calculates emissions based on contracts for green certificates, etc.

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Data and methods for PAI reporting is processed in ATP's separate PAI report.

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Data is from ATP's questionnaire. The $CO_2$ metrics are the same as those used on page 14. This year, there are 92 additional companies who have reported on $CO_2$ - for this reason, it is hard to make a meaningful comparison between last year's figures.

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**CLIMATE DATA AND ENERGY CONSUMPTION**

**Climate ambitions**

For ATP as a company, the ambition is formulated as an absolute $CO_2$ reduction of 30 per cent in 2025, 70 per cent in 2030 and being carbon neutral in 2050 with 2018 as the baseline year. The activities where there is complete and credible data going back to 2018 are included. This applies to scope 1 and scope emissions (location-based) and scope 3 activities: water consumption (GHG category 1), energy-related emissions (GHG category 3) and business travel (GHG category 6).

ATP has not formulated a separate ambition for scope 3 activities such as employee commuting, IT operations, canteen purchases and waste management which were included for the first time in 2022. The data basis remains incomplete and therefore the figures are not suitable for comparisons over time.

**Revision of historical consumption data**

In 2022, ATP has carried out a review of its historical energy consumption at our locations and in this context there has been made adjustments to the consumption data for the 2018-2021 period.

**Measurement of $CO_2$ emissions**

The calculated greenhouse gas emissions are measured in $CO_2$ equivalents and divided into scopes as per the GHG protocol. In previous annual reporting, the emissions were divided based on sources (electricity, district heating, etc.) and the new scope-based measurement is therefore not directly comparable with previously reported figures.

To measure ATP's own $CO_2$ emissions, we use emission factors from the Danish Business Authority's tool (klimakompasset.dk) which is adapted to the GHG standard. The emission factors are based on Danish and international climate statistics from Energinet, ens.dk, DEFRA, etc. The emission factors are published with a time delay in relation to ATP's annual reporting which is why the $CO_2$ calculations for the current financial year are based on last year's emission factors. Historical figures are re-calculated in subsequent annual reporting when the relevant emission factors become available. For some scope 3 activities there is used $CO_2$ calculations provided directly by ATP's suppliers.

**Scope 1**

Scope 1 emissions are defined as direct emissions from sources that are owned or controlled by ATP. At ATP, the category exclusively covers the consumption of natural gas at our Allerød location. The calculation is based on measured consumption and emission factors from klimakompasset.dk.

**Scope 2**

Scope 2 emissions are defined as indirect emissions from the production of electricity and district heating consumed at ATP's locations. Scope 2 emissions are measured as both location-based and market-based in accordance with the GHG protocol. In the location-based measurement, an emission factor is used for the actual provided electricity based on an average of Energinet's hourly declaration as calculated in Klimakompasset. Previously used environmental declarations and historical figures have therefore been re-calculated. The market-based measurement is based on an average emission factor that is corrected for the companies' purchase and sale of origin guarantees, etc. which result in a higher emission factor. The market-based measurement is based on Energinet's electricity declaration. Electricity consumption is divided into purchased electricity and self-produced electricity and the $CO_2$ impact is only calculated for purchased electricity. For district heating, measured consumption is used as well as emission factors from klimakompasset.dk.

**Scope 3**

Scope 3 emissions are defined as indirect emissions from sources in ATP's value chain. A general challenge with scope 3 emissions is limitations in data availability and the measurements may therefore be incomplete and include varying levels of assumptions and estimates. In the selection of scope 3 categories, ATP emphasises the assessed materiality of the emissions, the potential for impacting emissions and the possibilities for securing actual data where estimates and extrapolations are sought to be minimised as far as possible. Below there is an account of the method used for each activity:



**Category 1 - purchased products and services:**

Canteen purchases: The $CO_2$ calculation is provided directly by ATP's two main suppliers of food based on the actual delivered amounts. Together, the two suppliers represent the vast majority of ATP's food purchases. However, the calculation is not complete as there are some smaller suppliers who cannot provide the same data. The activity was measured in 2022 for the first time.

External suppliers of IT operations: ATP has been in dialogue with the most important suppliers and has been provided with data about the estimated energy consumption associated with the operation of ATP's solutions. $CO_2$ emissions are based on data provided about energy consumption and the average emission factors for electricity (cf. the section on scope 2 emissions). The data basis remains incomplete as we do not have data from all suppliers. In addition, it has proven difficult for suppliers to measure precise consumption levels and therefore they have used varying degrees of estimates. The measurement is limited to server operations for ATP's IT solutions and does not include the acquisition of equipment, man-hours, overhead consumption, etc. In the coming years, ATP will work on improving the data basis for this measurement. The activity was measured in 2022 for the first time.

Water consumption: The calculation is based on measured consumption and emission factors from klimakompasset.dk.

**Category 3 - energy-related emissions**

The category covers the upstream emissions related to the production of consumed electricity, district heating and natural gas which are not included in scope 1 and 2. The calculation is based on measured energy consumption and emission factors from klimakompasset.dk.

**Category 5 - waste management:**

Covers emissions due to the incineration and disposal of waste generated in the Group. There is used a $CO_2$ calculation provided by ATP's external advisor based on actual amounts of waste. The category was included in the report for the first time in 2022 and the data goes back to 2019.

**Category 6 - business travel:**

Covers travel with airplanes, taxis and travel between locations in employees' own cars. For air travel, there is used a direct $CO_2$ calculation provided by ATP's travel agency based on emission factors from DEFRA. The emissions from driving in taxis or own cars are based on actual registrations of taxi rides and driving allowances from ATP's finance system and emission from klimakompasset.dk.

**Category 7 - employee commutes**

Covers employees commuting in their own cars. The calculation is made as an average calculation of all the Group's employees and is partly based on factual data such as checking in at work and partly on spot checks in the form of counting cars. The calculation provides an indication of emissions from employee commutes, but due to extrapolations and estimates, the data is of a lower quality than it is for activities that can be measured directly.

**Category 15 - investment activities:**

Covers listed equities and corporate bonds, illiquid assets, funds and real estate where there is either data available or where there are valid estimates from third parties. The data coverage is particularly poor for illiquid assets and funds. The real figures may therefore be higher than what is stated.

**Other scope 3 categories:**

Other scope 3 categories are not measured due to limited data availability, because the emissions are deemed to be very limited or because the activity is not relevant for ATP.